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INDEPENDENT

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SECTION TWO

DISADVANTAGE
Germany's hero
about to fall from grace

DISADVANTAGE
Germany's hero
about to fall from grace

PAGES OF JOBS
For lawyers
and accountants

‘Around the world three letters send a chill down the spine of the enemy: SAS. And those letters spell out one clear message: don’t mess with Britain’

Tories salute nationalism of Portillo

DONALD MACINTYRE
Political Editor

Michael Portillo yesterday reasserted his claim to the future Conservative leadership with a shamelessly theatrical appeal to the nationalist sentiment of the party's right wing and a promise to resist moves towards a European Union defence policy.

Mr Portillo's pledge not to join a "single European army" and declaration that UK servicemen were ready to give their lives for Britain but "not for Brussels" came as the climax of a day that had seen the party at last begin to reunite over Europe in anticipation of the coming general election.

Mr Portillo emerged the undisputed champion of the conference's first day with a speech that was authorised by John Major and which delighted most activists by invoking the spirit of the SAS, seeking to repel Labour's claim to be the patriotic party and wittingly mocking the EU's competence to handle issues of defence.

The Defence Secretary appeared to set fresh limits to tentative British involvement in moves already under way to increase European intergovernmental co-operation on defence by declaring that "it would be absurd, as some of our partners are urging, to try to merge our defence co-operation into the European Community". The wildly enthusiastic reception for his

Inside

As for Portillo, grown newspapermen were slack-jawed and white-faced at the sheer gung-ho refusal with which he took on the factual world and defeated it with overwhelming verbal force.

Andrew Marr, the BBC's leading political commentator, said Portillo was "the most powerful speech I have ever heard".

speech - if not its deliberately populist content - overshadowed Malcolm Rifkind, the Foreign Secretary, who announced in a more measured conference performance that Britain would now work to overcome protectionist tendencies within the US and EU to establish a new transatlantic free trade accord.

Mr Rifkind promised that the UK would continue to work for closer European defence co-operation, but

only on terms compatible with the "pre-eminence" of Nato. And he reiterated that Britain would respond to any moves towards further integration "with a cool assessment of where the balance of British interest is to be found".

The Foreign Secretary derided the idea that Britain's insistence on protecting its own interests would mean a loss of influence or a two-speed Europe, adding in an echo of his Chatham House speech last month that "while influence is a crucial objective of foreign policy it is a means to an end, not an end in itself". He amplified his speech - which also received a standing ovation - by making clear afterwards that Britain would resist any extension of qualified majority voting at next year's inter-governmental conference on the EU's future.

With Lord Tebbit, and even Norman Lamont, the former Chancellor, welcoming the "spent skills" towards Euro-sceptic rhetoric by Mr Major and Mr Rifkind, it was left to John Redwood, Mr Major's challenger in the July leadership election, to press the Prime Minister from the conference fringe to go further by declaring that "Britain would not join a monetary union".

Tony Blair, the Labour leader, said last night that Mr Portillo's "extreme, juvenile and ill-informed anti-European tirade" showed a



Right track: Michael Portillo, the Defence Secretary, saluting the Tory conference after his strongly Euro-sceptic speech

Photograph: Reuters

"complete ignorance of Britain's defence history and defence needs". He added: "Nobody in Britain is suggesting that we replace the British armed forces."

But in his role as the Cabinet's most charismatic licensed right-winger, Mr Portillo went a long way in his speech towards recovering his position as the Thatcherites' champion after seriously losing ground as a result of Mr Redwood's boldness in resigning from the Cabinet and challenging Mr Major, and the bungled installation of a Portillo campaign HQ in case the contest went to a second ballot.

Mr Redwood - who opened his fringe speech last night by declaring, in what

some delegates took to be a subliminal reference to Mr Portillo's Spanish ancestry, "I am glad I was born British" - said that "monetary union is now setting country against country and causing untold pain in the economies in Europe".

Meanwhile, in a speech to the Conservative Political Centre last night, Michael

Howard, the Home Secretary, said that while the threat to British nationhood from the IRA had abated, that from creeping European federalism and Labour's plans for devolution had not.

Political jitters took their toll of financial markets, with £13bn wiped off the value of shares at one point yesterday afternoon, writes Tom Steven-

son. The FTSE-100 index closed 50.2 points lower at 3460.1 as the Conservative Party's flagging fortunes compounded a raft of other worries dogging the markets. The slide in equity markets was the worst fall since June, sparking fears of the stockmarket crashes that have historically occurred in October.

Britain to host Bosnia talks if ceasefire holds

MICHAEL SHERIDAN
Diplomatic Editor

Britain is to host a Peace Implementation Conference on Bosnia if the ceasefire due in Sarajevo last night leads to successful negotiations between Serbs, Muslims and Croats.

Continued fighting and problems in the reconnection of gas, electricity and water to the Bosnian capital delayed the final ceasefire announcement.

But the British, American and French governments are now so committed to the success of the peace talks that a schedule for negotiations, giving each nation a role, has been agreed.

President Bill Clinton, the driving force behind the peace initiative, wants the warring parties to meet in a secret location, somewhere in the northwest United States for a

round of so-called "proximity talks".

If they achieve agreement, the scene will move to London, where the British Government will oversee a conference to discuss the task of the new Peace Implementation Force. British soldiers are expected to join around 25,000 US troops sent to Bosnia to enforce the peace, employing far tougher rules of engagement as they take over from United Nations forces.

Announcing the meeting yesterday, the Foreign Secretary, Malcolm Rifkind, told the Conservative Party conference that the meeting would settle the role, size and duration of the force. It would also consider future humanitarian needs, assess reconstruction plans and organise future elections.

"The people of Bosnia will need help in implementing the peace agreement and assistance to reconstruct their countries," Mr Rifkind said. The final deal will be set on a treaty to end the war at a full-scale international conference in Paris.

These grand schemes, however, remain so tenuous that no date can yet be set for the London conference, although the Foreign Office expects that it could take place at the end of November.

The United Nations appears to have been cut out of the negotiations and its unhappy role in the Balkans is clearly winding down. Yesterday the UN announced that its civilian head of operations in Yugoslavia, Yasushi Akashi, would leave his post in three weeks time. Mr Akashi drew bitter criticism among US officials and military leaders, who disliked his unwillingness to authorise air action against the Bosnian Serbs.

Light in Sarajevo, page 12

Now OJ Simpson faces trial by board game

JOHN CARLIN
Washington

You've watched the trial, you've seen the television movie, you've read the books, you've bought the OJ wristwatch. Now you can play the game.

OJ Simpson, who will be blessing NBC tonight with his first post-trial television interview, is said to be contemplating a civil suit against the manufacturers of a board game called "Squeeze the Juice".

In the game each player takes the part of one of Mr Simpson's six defence lawyers. Players roll dice to advance around the board. The winner is the player/lawyer who collects the most cash from Mr Simpson.

While the game can last many hours because the "OJ Defence Fund" is inexhaustible, pitfalls exist to ensure that sooner or later players go bankrupt and fall away. This can happen, for example, as a consequence of landing once too often on the "contempt of court: pay \$10,000 fine" square.



OJ: Celebrity borrowed to make fortunes at Christmas

The People's OJ Simpson Trivia Game is described by its inventor, Bill Zucker of Massachusetts, as "both a learning experience and a test of knowledge". Each player is a detective who moves around the Los Angeles area gathering murder evidence and answering questions such as "What is Judge Lance Ito's favourite hobby?" (collecting hour glasses).

Mr Zucker says he will donate part of his profits to a shelter for battered women but also expects to become rich. "We're hoping it will be the hottest Christmas item of 1995," he said.

A competitor could, perhaps, be a tell-all book by Mark Fuhrman, the racist Los Angeles detective who ruined the prosecution case. Clearly Mr Fuhrman has money coming in from somewhere - possibly a publisher - for he has been seen this week holidaying in Bermuda.

IN BRIEF

France hit by pay strike
More than 3 million of France's public sector workers responded to a call by unions for a day of strikes and demonstrations yesterday. The day of action seriously disrupted public transport and education, with thousands of schools closed. The primary cause of the strike was the wage freeze announced by the Prime Minister, Alain Juppé. Page 3

BT in bills row
British Telecom has been accused of breaking its licence because it has let some companies off bills escalated by telephone fraud while demanding payment in full from other victims of phone hackers. Page 2

West trial 'burial threat'
The victim of an alleged sex attack by Rosemary and Frederick West told Winchester Crown Court yesterday that she was threatened with being kept alive in the cellar at 25 Cromwell Street and then buried under the streets of Gloucester. Page 2

Magazine 'fith'
Women's magazines have degenerated into "fith" and become so obsessed with sex that they should be consigned to the top shelf, the boss of a model agency said. Page 7

Concert hall poaching row
Britain's two best known concert halls were locked in a vitriolic row as the Royal Festival Hall was accused of using taxpayers' money to poach stars from the Royal Albert Hall. Page 6

COMMENT

Bryan Appleyard: Goodbye to gay activism. Page 19

Polly Toynbee: Why moral engineering cannot be applied to the single-parent family. Page 19

Miles Kingston on Mozart: the sex, the party. Page 19

Another View: Lord Gowrie on the Government's promises. Page 18

Leading Article: "Disney is now attempting to co-opt the historical princess Pocahontas, merging true stories with their cartoon shadows. They should develop a sense of humility in the presence of history." Page 18

Weather: England and Wales will again be bright and warm with good sunny spells. Most areas of Scotland and Northern Ireland will also be fine and warm. Section Two, page 21

WHO DARTS WINS

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Cromwell Street trial: Woman tells court how she was raped, assaulted and threatened by murder case couple

West's 'told victim she would be buried'

WILL BENNETT

The victim of a sex attack carried out by Rosemary and Frederick West told yesterday how she was threatened with being kept alive in the cellar at 25 Cromwell Street, and then buried under the streets of Gloucester.

Caroline Owens was in tears as she left the witness box at Winchester Crown Court after giving harrowing evidence of how she was seized by the Wests, gagged with tape, bound and taken to Cromwell Street where she was raped and sexually assaulted.

Mrs Owens, 39, told the court that Mr and Mrs West were angry with her when she tried to make a noise to attract the attention of someone else who was in the house after the attack in December 1972.

She said: "He told me that he would keep me in the cellar and let his black friends use me and when they had finished with me he would bury me under the paving stones of Gloucester. He said there were already hundreds of girls there and that the police would not find me."

Earlier another witness, Elizabeth Agius, told the court that the Wests used to go out in their

car to pick up young girls who they might be able to get in to prostitution and that Mrs West went because they were more likely to accept a lift.

Mrs West, 41, denies 10 charges of murdering girls and young women whose remains were found at 25 Cromwell Street and at the Wests' previous home in Gloucester. Fred West, who was charged with 12 murders, was found dead in his prison cell on New Year's Day.

The prosecution alleges that seven of the victims were bound and gagged and kept alive while they were sexually abused and that five of these were abducted while hitch-hiking or making other journeys and subsequently buried in the cellar at 25 Cromwell Street.

Mrs Owens told the jury of eight men and four women that she was first picked up by the Wests when she was hitch-hiking in Gloucestershire in the autumn of 1972. They offered her a job as their nanny but she left after just five or six weeks because she did not like Mr West and went back to live with her family in Cinderford, Gloucestershire.

On 6 December, 1972, she was hitch-hiking from Tewkesbury to Cinderford via Gloucester when she was picked up by the Wests. She said Mrs West got in the back of the car with her and after they left Gloucester Mr West asked her if she had had sex with her boyfriend that day. Mrs West put her arm round her and started touching her breasts.

Mrs Owens said: "I think that is when Fred said 'what are her tits like'. She started to grab hold of me grinning and laughing, not a nice laugh. Then she started to grab me between the legs. He pulled up and



Rosemary West, right, and a report in a Gloucestershire newspaper of the Wests' conviction in a magistrates court for the sexual assault of Caroline Owens in 1972



turned round in his seat and we were struggling with each other and I was trying to get her off and he turned round and started punching me and calling me names like 'bitch', said Mrs Owens. She said she was then knocked unconscious.

"When I came round my arms had been tied behind my back with a scarf and they had tape around my head all the way round my mouth and the back of my head. It was a gag. Rose was holding me and Fred was putting the tape round."

Sometimes biting her lip as she relived her ordeal under the impassive gaze of Mrs West just across the court room, Mrs Owens said: "I didn't think I was going to go home again."

She said the Wests drove her to 25 Cromwell Street, Mrs West continuing to touch her between her legs and there she was taken to an upstairs room where Mr West took the gag off, cutting her face with a knife which he used to remove it. Mrs Owens said she was then undressed, gagged this time

with cotton wool and blindfolded. She was sexually assaulted and while Mrs West held her legs apart Mr West beat her genital area with a belt.

She said Mrs West then performed oral sex on her and later Mr West raped her when his wife was out of the room. She said that afterwards "Fred started crying and said he was sorry he had done it. He said I was there for Rose's pleasure."

While her attackers slept Mrs Owens, still bound and naked, said she tried to escape but could not lift the window. The following morning she heard another man's voice in the house and tried to make a noise to attract his attention but Mrs West put a pillow over her face and it was after that that the threat to keep her in the cellar was made. "I was scared frightened to death," said Mrs Owens.

She was then astonished to be offered her old job back and accepted because this was her chance to escape. She went home and told her mother about the attack and she called in the police.

Earlier the court was told by Mrs Agius, a neighbour at 25 Midland Road, Gloucester, how the Wests used to go out in their car as far away as London looking for young girls to pick up. "He liked 15- to 17-year olds, hopefully she would be a virgin. They had the opportunity to go and live with them and be on the game if they wanted," she said.

Mrs Agius said Mr West wanted to have sex with her and that Mrs West suggested the three of them go to bed. She said she declined both offers.

She said that on one visit to 25 Cromwell Street, which the Wests had just bought, Mr West showed her the cellar and said it could be a children's playroom but added: "Or I could make this my torture room."

Mrs Agius said: "They were such a close couple. They were the type of people that didn't hide anything from one another."

Cross-examined by Richard Ferguson for the defence, who accused her of trying to cash in on the case involving her former neighbours, Mrs Agius admitted she had contacted the Sun with her account of living next to the Wests and had also been paid £750 each by two television channels for her story, to be used after the trial. She believed the first was from ITV and the second the BBC.

The case continues today.

IN BRIEF

Call for global audit of thalidomide cases

A global audit of children born to thalidomide victims was urged yesterday to allay fears that birth defects caused by the drug can be passed on. Dr Nigel Brown, head of the Medical Research Council's Teratology (congenital malformation) Unit in London, said that a survey would go a long way to assuaging the fears of the first generation of parents.

The Thalidomide Action Group, UK, says there are nine cases where the children born to thalidomide victims have similar deformities to their parents. It also says other cases have been reported in Bolivia, Japan, Germany and Belgium.

Dr Brown says all the available evidence suggests that the defects cannot be passed on, but a controversial Australian doctor claims he has shown how thalidomide can disrupt DNA, the genetic code of inheritance.

£1.5m van raid

Two armed robbers fled with £1.5m cash from a Security Express van waiting outside a National Westminster bank in north London. They escaped in a white Bedford van after tying up the two security staff.

Postman jailed

Steven Watson, 22, from Collingham in West Yorkshire, who stole money, postal orders and vouchers from birthday cards during his delivery rounds to fund his heroin habit, was jailed for nine months by a judge at Leeds Crown Court.

Army base closes

The last "guard" from the 1st Battalion The Black Watch have officially vacated their North Howard Street base at the Falls Road in west Belfast, which was the first Army base established in the area when violence broke out more than 25 years ago.

Victoria Cross sold

The first Victoria Cross awarded to a Jewish soldier fetched £35,288 at auction in London. Corporal Issy Smith's prized First World War medal - won for his bravery during a battle on 26 April, 1915, at St Julien in Belgium - was bought by a private English collector.

Dr Peggy Norris

Our 17 July comment on the agony of the parents of baby Ian Stewart may have given some readers the impression that there was doubt about the medical qualifications of Dr Peggy Norris, chair of Alert, the anti-euthanasia pressure group. Dr Norris has asked us to point out that she qualified as a general medical practitioner in 1948 and was in general practice for over 30 years, after a period in a children's hospital in Dublin and working for the United Nations in Germany with concentration camp survivors.

Sticking to her man

A woman who superglued herself to her husband during a jail visit to prevent him being deported was told he could stay in Britain, but only for a week, after appealing to the High Court. However, Jacqueline de Marre, 27, from Gillingham, Kent, has been banned from seeing her Algerian husband, Hassan.

OfTel warns BT to waive hacking bills

CHARLES ARTHUR
Technology Correspondent

British Telecom has been accused by the telecoms regulator, OfTel, of breaking its licence, because it has let some victims of telephone fraud off their bills while demanding payment in full from others.

BT has only given this preferential treatment to companies that have bought the BT Meridian switchboard - described by one telephone hacker as being as secure as "a car which has no locks and just a switch for the ignition".

Telephone hackers can reprogramme facilities in computerised switchboards over the phone, letting them make calls to any number in the world, for any length of time. The bills go on to the company's account. The Meridian switchboard was especially easy to reprogramme because its four-digit codes could be guessed easily.

BT became abruptly aware of the flaws in the system last year when a number of companies discovered hackers using

their system. One company with almost 50 external phone lines found that every one was busy at 4am as hackers exploited its weaknesses.

BT is understood to have subsequently waived bills run up by telephone hackers in at least four organisations, including an oil company based near London, a national computer recruitment agency, the British arm of an American entertainment corporation, and a large Scottish company. All used the Meridian switchboard. But BT has refused to waive a £20,000 bill caused by hacking at Technocom, based in Slough, which uses a switchboard bought from a different company.

OfTel has now told BT it should grant a similar waiver to Technocom. In a letter to Technocom it says: "Not to do so would put BT in breach of its licence condition on undue discrimination." But BT insists that the waivers were "a mistake" and that its standard policy is to enforce payment of bills. It is contesting OfTel's decision.

David Guthrie, managing director of Technocom, said yes-

terday: "BT is giving credit to these people who bought Meridian, and that's unfair. The money they give to them could go to reducing everyone else's bills."

He added: "I think that they gave a couple of people this waiver and that when more came along they realised they had opened Pandora's Box." However, BT insists that its policy has not changed.

Mr Guthrie wrote to OfTel earlier this year. In November and December last year his company's switchboard was used by hackers, who rang in on freephone numbers and reprogrammed the switchboard so that they could call other companies, in order to cover their tracks, or make international calls at the company's expense. In a matter of weeks they ran up bills of more than £20,000.

A manager at one of the other companies whose Meridian switchboard was hacked into told the *Independent*: "BT never told us that the switchboard could be hacked so easily... It's the sort of thing you would remember."

Britons held as Norway goes on hooligan alert

IAN RIDLEY
Oslo

A group of nine Britons and one Dane suspected of being football hooligans on their way to England's international match in Oslo were yesterday arrested by Norwegian police.

Two others were immediately deported after checks into their backgrounds and the rest were detained at police headquarters pending further investigation. In addition, two Britons were arrested for shoplifting.

The 10-strong party was taken to Oslo for questioning after being stopped by police on a train at Sarsborg near the Norwegian-Swedish border while seeking entry from Denmark. At least one of the group is suspected of being a member

of Combat 18, an English neo-Nazi group believed to have incited the riot that halted England's match against the Republic of Ireland in Dublin last February.

Under a new Norwegian law, foreigners can be deported if they have been convicted in the last five years of a crime that would carry a three-month jail sentence in Norway. The two arrested for shoplifting are from Newcastle and charges were being considered last night.

All police leave in Oslo has been cancelled and around 500 officers - all trained in riot control - are on duty. They are being helped by officers from the International Football Intelligence Unit in London, who are monitoring ports, airports and Oslo's Central Station, and are checking passports. Dogs and

mounted police are on standby. Some 400 England fans are travelling with the Football Association's official Travel Club but about 300 more are expected to arrive independently without tickets. "If they have no tickets they will not get into the stadium," said the assistant chief of police, Oeystein Berger. "If they have no tickets and come to make trouble we have enough police to deal with them and enough room in our jails. We are quite confident this will pass off without trouble."

The England coach, Terry Venables, said that the team wanted no repeat of Dublin or the scenes during the last visit to Oslo, for a World Cup qualifying match in June 1993. He added: "It just gives the whole nation a bad name and it is something we want no part of."



All that glitters: Floral beaded tinsel-town dresses, by Giorgio Armani, shown as part of the spring and summer collections in Milan. The Armani collection was the final Milan show for the spring ready-to-wear season. Photograph: Peter Macdiamid

WPCs jailed for supplying drugs

JASON BENNETT
Crime Correspondent

Two women police officers were jailed for a year yesterday after they admitted supplying and possessing drugs.

Constables Elizabeth Hartley and Lisa Wilkinson, both 25, face certain dismissal from Lancashire police force and are likely to be kept in an isolation wing while in prison for their own protection.

The women, from Colne, Lancashire, pleaded guilty to possessing amphetamines and cannabis, possessing the two drugs with intent to supply and supplying the two drugs. Hartley also admitted possessing ecstasy, the class-A dance drug.

The officers bowed their heads and were close to tears during their sentencing. The Recorder of Liverpool, Judge William Wickham, said: "Police officers are trusted by the community not to deliberately flout the law as you did, deliberately taking prohibited drugs and you deliberately supplied drugs to a girl you had met on holiday."

James Gregory, for the defence, said earlier: "Anyone with any maturity, bearing in mind their role in life, would appreciate the lunacy of it, but it is too late now to reflect on that for both of them."

Liverpool Crown Court heard how amphetamines, cannabis and the ecstasy were found in the flat the pair shared with John Roberts, also 25.

Guy Gozem, for the prosecution, told the court that in August 1994 Lancashire police drug squad saw a number of people delivering drugs to the flat, which they later searched and found 22g of cannabis worth £66, more than five grammes of amphetamines worth £50 and two ecstasy tablets worth £10 each.

Mr Gozem said a letter found at the flat from a girl the pair had met on holiday made clear they intended to supply her with the drugs. It read: "To Liz, please find enclosed cheque for £80. I think it's enough. £45 smoke, £10 E, £25 speed. I've left it blank for you to fill in."

THE INDEPENDENT ABROAD

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FRANCE IN CRISIS

Bombs, boycotts and scandal: Six months of discontent from Chirac's election to a mass walk-out



17 May
Jacques Chirac becomes President

13 June
Chirac announces that France will resume nuclear testing in the South Pacific. Boycotts of French products take hold in southern hemisphere but also, more damagingly, in Germany.



25 July
Bomb at Saint-Michel Metro kills seven people and injures 80. Slow investigation angers public but suspicion centers on extremist Algerian groups.



7 September
France detonates its first test at Mururoa Atoll, provoking worldwide outrage and wide-scale riots in Tahiti.

20 September
Prime Minister Juppé's draft budget for 1996 fails to impress either in France or abroad. It includes concessions to special interest groups and tax rises but little on Chirac's pledge to reduce unemployment.

September
Running battles between French and German officials over whether the franc will be ready to join European Monetary Union in 1999.

Sept/Oct
Mr Juppé faces renewed accusations that he fixed low rent flats for his son - and publicly funded renovations for his own apartment - while finance officer for the City of Paris.

1 October
France detonates second South Pacific bomb, 10 times larger than the first.

10 October
One-day strike by seven unions representing 5 million civil servants, local authority employees hospital staff and other public sector workers to protest against 1996 wage freeze.

Millions join day of protest over pay freeze

STEPHEN JESSEL
Paris

Encouraged by an opinion poll that showed substantial public support, France's public sector employees responded in huge numbers to a call by seven unions for a day of strikes and demonstrations yesterday.

Union sources claimed that 70 per cent of public sector workers - three and a half million in all - had taken part, seriously disrupting public transport. Education also suffered, with thousands of schools closed or providing nothing more than supervision for pupils turning up for classes. Other sources put the figure at 50 per cent of workers.

The Minister for Public Services, Jean Puech, criticised the one-day strike, the most extensive demonstration of union discontent since October 1986, as "immoderate", but Marc Blondel, secretary general of the Force Ouvrière confederation, which is particularly strong in the public sector, said that there would be further action if demonstrators' demands were not met.

The primary cause of the strike was the wage freeze announced by the Prime Minister, Alain Juppé, for 1996, although public-sector unions also took the opportunity to show their discontent about pension reform proposals and possible deregulation.

Mr Puech said his "door was always open for real social dialogue", and claimed that in spite of the freeze, wages in the public sector would rise next year by 1.4 per cent as a consequence of automatic seniority increases and existing agreements. He also said the total wage bill would rise next year by 3.2 per cent. Other politicians on the right took a more forthright view of the day of action, with some denouncing the conduct of "the privileged", an epithet angrily rejected by the unions.

Public opinion appeared to have been transformed in the space of a few days, with an opinion poll in *Le Parisien* newspaper showing 57 per cent backing for the unions, against 26 per cent disapproving. Even private-sector employees and the unemployed gave majority backing to the protests.

By contrast, a poll in *Le Figaro* a week ago had found an almost even split between those who said they felt solidarity with the unions and those who did not. In Paris, demonstrators took part in a march from the Bastille to a square near the Gare St Lazare. The procession stretched for two-and-a-half miles, and the number of demonstrators was put at anything between 22,000 and 100,000. A worrying aspect of the demonstration for the government was the united front put forward by the unions, which usually find it difficult to agree a common approach. Mr Puech said about 55 per cent of public sector employees had stayed away from work, but it was not possible to identify how many were on strike and how many would have gone to work if there had been transport.

The strike was solid among teachers, with the education ministry putting those who stayed away at 60 per cent and the unions claiming between 70 and 95 per cent observance. It was relatively lightly supported in the health sector, where only about 14 per cent of hospital staff stopped work, according to the authorities.

Enormous traffic jams built up on approach roads to Paris early in the day as drivers, encouraged by the news that police would not be issuing parking tickets, tried their luck and took their cars to work. Many used bicycles, in spite of air pollution created by several days of unseasonably warm and windless weather, and an intrepid few took to roller-skates.

Main line and underground train services were badly affected and few underground trains ran, though the service improved later in the day, and about one bus in four was operating. Air travel was worse hit than predicted, with several airports in the south of the country closed. Little post was delivered, and most government and municipal offices were closed. Staff at the meteorological office refused to issue weather forecasts.

President Jacques Chirac, on a visit to Spain, said that he was confident that France would meet the convergence criteria for European economic and monetary union laid down by the Maastricht treaty. The freeze on public sector pay is part of the strategy of cutting the budget deficit to the required level by 1997. The deficit must be reduced from its current 5 per cent of gross national product to 3 per cent if the country is to qualify for a European single currency.

In Washington Jean-Claude Trichet, governor of the Bank of France, expressed his "total determination" to maintain the stability of the franc. After a survey showed a fall in consumer confidence, rumours circulated in the bond markets that European central banks had intervened on foreign exchanges to support the currency. The Bank declined to comment.



Pillorying the president: strikers mocking Jacques Chirac as they took to the streets of Paris in protest at next year's wage freeze

Photograph: Nicholas Turpin

'Salaries not nuclear tests'

Paris — "Juppé out, Juppé out," shouted the hospital workers. "United we stand, united we win," screamed the banners of the postal workers and the police. "No to the freeze," shouted the teachers and "No to privatisation" declared the banner of the electricians.

The train drivers and the Metro drivers shouted: "Chirac, you kill us." And all across the city traffic ground to a halt as public servants took to the streets in the biggest demonstration seen in France for nearly 10 years.

Disgust at President Jacques Chirac's Prime Minister, Alain Juppé, who plans a public sector pay freeze next year, was clear. Workers carried posters of a "frozen" Mr Juppé, with icicles hanging from his nose and ears. "Juppé, nous vous rechaufferons," Juppé, we will heat you up, said the banners.

But the outrage which spilled on to the streets yesterday was fuelled by more than simply concern over pay. Strikers emphasised their fears for the future, and questioned changes coming from Brussels which could force privatisation and bring in cheaper workers from other European countries.

France's public service workers were being "sacrificed", they claimed, for the sake of reducing the French budget deficit in time for monetary union.

"Money for salaries, not for nuclear tests," chanted the unions as they progressed down the Boulevard Beaumarchais.

"We are all Europeans," said Jean-Paul Dondero, a technician in a geriatric hospital, who was marching in a line of white coats. "There are not enough doctors and nurses to care for the elderly. The Europe we want is not like this."

He added: "If Chirac wanted to save money he should spend less on defence. He should sell public buildings."

As the traffic jams built up, several onlookers scoffed at the public service workers, considered by many in France as privileged employees with jobs for life.

"It is disgusting, all of this," said Robert Marcol, a taxi driver who complained it had taken him one hour to drive just a mile. "These are the most privileged people in France - they have job security, unlike any of us. Why should they have a pay rise every year? These are just the Socialists trying to bring down Chirac, but it is 10 years of their socialism which has left our coffers empty. We need Mrs Thatcher."

A waiter serving tourists who were trying to enjoy the capital's Indian summer agreed. "Why should they expect to have pay rises? I have had no rise for 12 years. These civil servants - they sit on their arses all day and do nothing but complain." But the strikers knew yesterday that they had opinion polls on their side. A steel band lent the demonstration a carnival atmosphere.

The discordant sounds of a trade union chant, sung to the tunes of Edith Piaf, pealed over the rooftops. "It seems that we are not wanted," the singer jibed, and the marchers yelped with delight.

The question on everybody's mind yesterday was what Mr Chirac would do next, now he had dared to take on the "vertebral column" of the French workforce, as *Libération* newspaper put it yesterday.

It was certainly a column of angry malcontents, whose warnings the President of five months will find it difficult to ignore.

As Paris ground to a halt, Sarah Helm joined the protesters on the boulevards

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French malaise bodes ill for Europe

In just five months, the climate of hope that accompanied Jacques Chirac's presidential election victory has given way to one of sombre disappointment. The consequences for France, and for Europe as a whole, could be severe indeed.

Yesterday's strikes look like a routine conflict over the pay packets of state employees. But what is at stake is nothing less than the future shape and direction of the European Union.

Many pitfalls lie in the way of the EU's planned launch of a single currency in 1999, but few would be more devastating than the failure of the French government's economic programme. Without French participation, it is unlikely there will ever be a single currency and the entire post-war project of ever-closer European political and economic integration would be thrown into question.

The government must wipe out the 68bn franc (£8.9bn) welfare-system deficit - the gap between benefits and contributions - and set strict limits on other forms of public expenditure to meet the Maastricht targets. The trade unions are warning that they will resist attempts to cut the budget deficit at their members' expense.

The dilemma for Mr Chirac

This is no ordinary strike, Tony Barber explains. It has implications for us all

and Mr Juppé is that, whichever way they turn, nothing but trouble seems to lie ahead. If they make concessions to the unions, the foreign exchange markets are certain to wallop the franc and there would be little faith in France's ability to qualify for monetary union in 1999, at least without some creative book-keeping.

But if the government prevails over the unions and achieves its deficit reduction targets, then it will have carried out its programme at the expense of an unemployment rate at or near the current level of 11.4 per cent. The question vexing the markets is whether Mr Chirac is willing to pay that price for monetary union, particularly since he won election partly on a promise to make unemployment his top priority.

It is possible to feel sympathy for Mr Chirac, since he inherited both the Maastricht deadline of 1999 and the high unemployment rate from François Mitterrand, his Socialist predecessor. His economic policy options were in many ways limited from the moment he took office.

In the view of millions of French, however, the problem is that he sang quite a different tune during his election campaign to that which he is singing now. In April and May, seeking to exploit widespread disenchantment with Mr Mitterrand and 14 years of socialism, he talked not only of cutting unemployment but of lowering taxes, raising wages, improving public services and healing the fractures in French society.

Even to many who voted for him, it seems that Mr Chirac has reneged on his pledges. A survey two weeks ago indicated that only 33 per cent of the people were satisfied with his policies, down from 59 per cent at the time of his election.

This makes Mr Chirac the victim of the steepest fall in a president's popularity rating since the Fifth Republic's birth in 1958. Mr Juppé has fared no better and, as a result of the scandal over his housing arrangements in Paris, is suffering the added humiliation of having his honesty brought into question.

Some of the government's problems appear to be of its

own making, notably the housing affair and the outcry over the resumption of nuclear weapons tests. The dismissal of Alain Madelin as finance minister, after only three months in the job, enhanced the impression of what *Le Monde* yesterday called "a lack of professionalism" in the government.

It is nevertheless startling that the president and his camp should be in such trouble so soon. The Gaullists and their centre-right allies control practically every important power centre in France, from the presidency and both chambers of parliament, to the Paris city hall and most regional administrations. With no national elections until 1998, the Chirac-Juppé team is theoretically in a stronger position than most EU governments to pursue tough, coherent policies. Instead, they seem to have wandered into a relentlessly expanding crisis.

Predictably, the word is going around Paris that Mr Juppé's days are numbered. The scapegoating and sacrifice of prime ministers is a well-established Fifth Republic ceremony, but whether it will do much to rescue Mr Chirac's policies on Europe and the economy is another matter.

TORIES IN BLACKPOOL

Portillo lays claim to mantle of the right

COLIN BROWN and
PATRICIA WYNN DAVIES

Michael Portillo reasserted his claim to be the darling of the Tory right yesterday with a barnstorming address that flew in the face of warnings by the former Foreign Secretary, Douglas Hurd, not to rail against false ogres in Europe.

Staking his claim to the future leadership of the party yesterday with a highly Euro-sceptic attack on Britain's European partners for proposing a common defence policy, the speech produced the longest standing ovation of the day.

Mr Portillo, Secretary of State for Defence, raised the spectre of the European Commission seeking to harmonise or "even metricate" uniforms and cap badges in a European common defence force.

He also passionately defended the SAS and lambasted the condemnation by the European Court of Human Rights of the Gibraltar killings. He said the Tories sent a clear message to the European Court: "Don't give comfort to terrorists."

His tirade had the hall clapping and stamping its feet for more and eclipsed the appeal of John Redwood, the former right-wing challenger for the leadership. "That is bad for Redwood - they love him," said one Euro-sceptic Tory official. There were hisses when Mr Portillo mentioned Brussels. "It would be absurd, as some of our partners are urging, to try to merge our defence co-operation into the European Community," he said.

Malcolm Rifkind, the Foreign Secretary, who also adopted a Euro-sceptic tone in the foreign affairs debate, promoted closer co-operation on defence with European partners, particularly the French, when he was defence secretary.

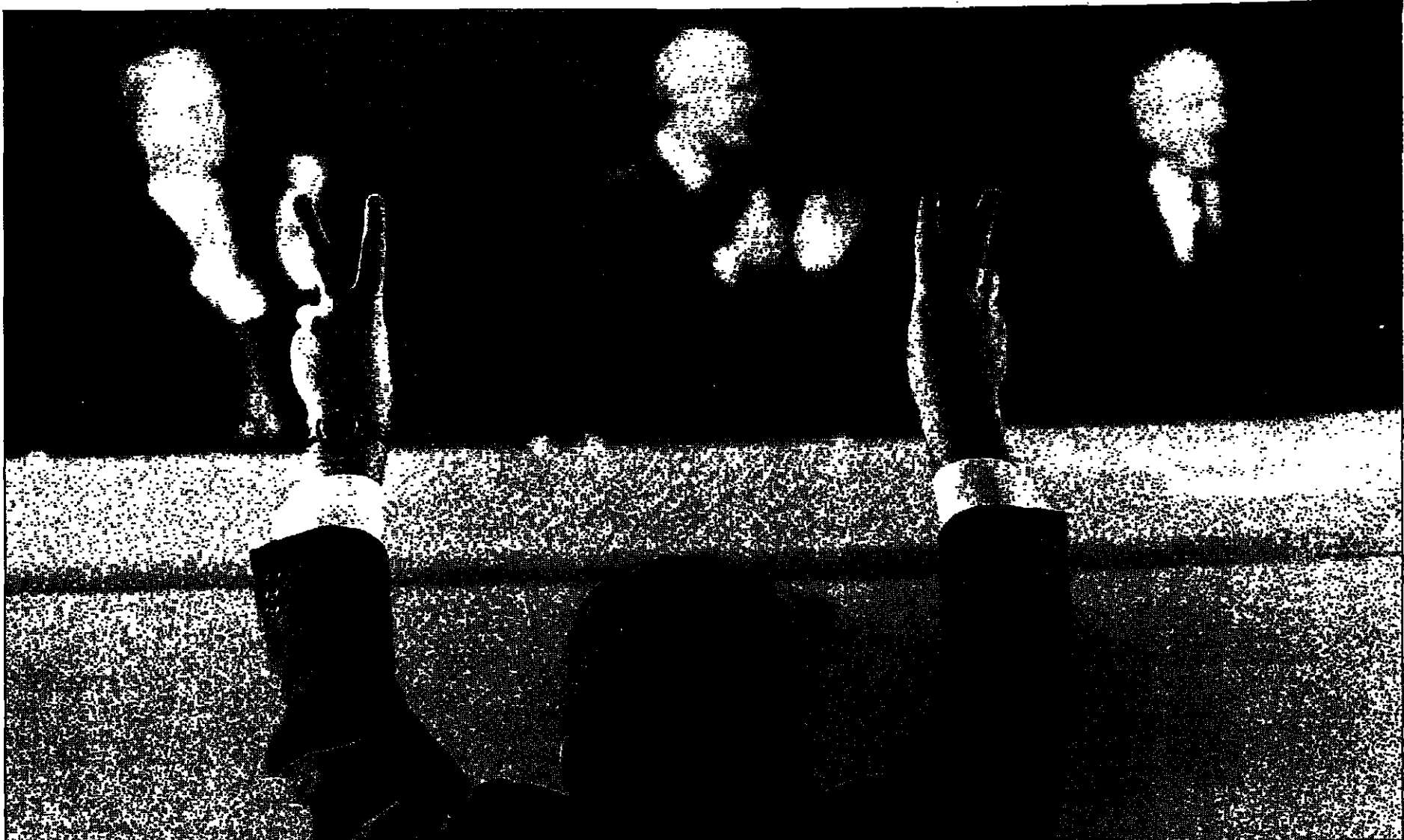
Mr Portillo declared: "There are those in the Labour Party and across Europe sleep walking their way along the dreamy road to a European superstate. We will not allow Brussels to control our defence policy. With a Conservative government Britain will not join a single European Army."

But there is little threat of a common defence policy - proposed by Jacques Delors, the past president of the European Commission - being pushed by the French and the Germans for the Inter-Governmental Conference next year.

Britain has led pressure for the Western European Union - formed in 1948 - to be the focus for European defence, outside the European Union.

Mr Rifkind pledged that any further erosion of British sovereignty would be judged on "whether there would be such benefit to the prosperity, to the security, or to the quality of life of the British people".

Labour's readiness to go along with what the majority of other countries wanted was the "new fault line in British politics", he said. After announcing the objective of a new Atlantic Community, Mr Rifkind told reporters that while France remained "protectionist", he had secured significant allies among other member states.



Point of order: A delegate signals his support for the platform during speeches at the Tory conference in Blackpool yesterday

Photograph: Brian Harris

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Sceptics are triumphant as the tide turns against Brussels

STEPHEN GOODWIN
Parliamentary Correspondent

Euro-sceptics paraded at conference fringe meetings yesterday in a mood of concealed triumph at the way they believe John Major and the Cabinet are marching to the beat of the sceptic drum.

The Conservative Party had put its divisions over Europe behind it. Norman Lamont, the former chancellor, said: "We are all Euro-sceptics now."

Along with Lord Tebbit, he welcomed the Prime Minister's assurance that if Europe moved towards federalism a Tory Britain would not go with it. "I don't think there is any doubt that the Conservative Party has shifted decisively in the Euro-sceptic direction," Mr Lamont said.

Sir Teddy Taylor, MP for

Southeast East and one of the original sceptic voices, said the Government was changing its stance in the right direction - "towards public opinion".

However, there were warnings about the pressure the Government would face from other European Union states at next year's Inter-Governmental Conference over monetary union and common foreign and defence policies.

Mr Lamont urged ministers to resist the temptation to "cobble together" some form of words to cover Britain's position. "We have found to our cost that ambiguity is fatal. It would mean one thing to the House of Commons and another to European institutions."

Lord Tebbit put the Government's shift down to events in the EU as much as to the ar-

guments of the Euro-sceptics. "The Euro-fanatics who are running Europe are making such a mess of it."

The strident calls of last year for a pledge not to join a single currency were replaced by a degree of relish at the difficulties confronting the project.

Addressing a meeting organised by Conservative Youth Against a Federal Europe, Sir Teddy accepted Alan Howard's view that there were around 40 Tory MPs who would be happier in the Labour Party.

"In the same way, there are probably Labour MPs who would be happier on our side, because they are worried about giving up our democracy to the EU. We need to shake up the party system, because the parties are not reflecting the divides in our society."

John Gummer, Secretary of State for the Environment, was one of the few pro-European

voices on the fringe. The strongest was that of Andrew Rowe, the old "wet" MP for Mid Kent. He said the EU needed to be greatly overhauled after 40 years, but added: "I am not scared of pooling our sovereignty in order to make us part of a very successful viable future."

Veneer of consensus covers the European conundrum



ANDREW MARR
Columnist of the Year

Europe has nearly destroyed the Major administration. Could it end up saving it? After a day of speechifying and fringe meeting agitation on the future of the EU, the party feels more united than last year, and united on terms summed up in the title of a lunchtime speech by Norman Lamont: "We are all Euro-sceptics now."

The argument is declared over, at least in the party. After John Major's leadership challenge, the hard-liners aren't going to push for more concessions from him. But most pro-Maastricht and pro-single currency Tories have been intimidated or argued into silence. Only the indomitable Edwina Currie won't shut up; she has left it late, but she is in danger of becoming admirable.

Malcolm Rifkind and Michael Portillo were, though, surer guides to the Tory mood. They both made fervently anti-Brussels points in their speeches, with the Foreign Secretary deriding the notion of "ever closer union" to which the Prime Minister had, after all, committed himself when he signed the Maastricht Treaty.

As for Portillo... grown newspapermen were slack-jawed and white-faced at the sheer gung-ho relish with which he took on the factual world and defeated it with overwhelming verbal force. "We taught the Bosnian Serb generals that the slaughter of civilians will not go

unpunished." Er, up to a point, and rather late. "Around the world, three letters send a chill down the spine of the enemy: SAS. And those letters spell out one clear message: don't mess with Britain."

And so on. After 20 minutes or so of this, one could only react to his assertion that "war is messy, brutal and violent" by reflecting that, yes, it was; but no more so than Portillo on rip-roaring conference form.

John Major seemed to be enjoying it about as much as a dose of dysentery. But Portillo, after wobbling during the summer leadership contest, is back in favour with the party. He is the Prodigal Minister.

Not just the Tory party, because ferocious attacks on Labour's federal tendencies are so clearly going to be a central theme in the election. Once party battle has been joined, Europe will become a unifying thing for most Tories, rather than a dividing thing. "Brussels" seems to stand for everything party workers are viscerally

against. It is becoming as important a Conservative enemy as socialism used to be.

And the British argument is moving their way. Even at the Labour conference last week the missing words in every relevant speech were "monetary union". The single currency had simply disappeared. Tony Blair believes that monetary union will happen, if it does, late and will be driven by economic convergence and market interests, rather than the Maastricht timetable. Indeed, he thinks the political timetable is the problem. Anti-Maastricht Tories have some reason to feel self-satisfied.

None of which means that they have a convincing answer to the European conundrum. A small minority want to leave the EU. A smaller minority still want full federalism. But most are stuck uneasily between, anxious about the Franco-German agenda, short of clear alternatives. There is "variable geometry" and other unsatisfactory verbiage.

But what was missing again yesterday was any sign of new thinking about what end-point would be good for the country and for Europe.

Rifkind's speech assumed that European policy was essentially about reacting to other people's proposals. "In each case, we will decide whether there would be such benefit... that it would justify the loss of

national control." Sensible, no doubt; but uncomfortably close to being a declaration in favour of good things, and against bad things.

Where Rifkind was interesting was in his sketchy proposal for a free trade area linking the EU and North America. This is not new and would have to be argued slowly through the EU. But if it eventually succeeded, senior Tories point out that it would raise interesting questions about harmonisation and all the other "baggage" of the Single European Act. It could, in other words, provide a reverse gear for European integration. Watch that idea.

It is perhaps over-ambitious to expect a party in government, still trying to close destructive splits, to come up with a blueprint either for a different kind of Union or for some looser confederation. That may be the great task of the Tories in opposition. Meanwhile, they will be doing their best to avoid that fate by attacking Labour as unpatriotic and slavish adherents of the bureaucratic socialist empire in Brussels.

This may be unfair, untrue, short-termist and an avoidance of the hard questions. But the Conservatives are starting to sound almost consensual in their Euro-scepticism. They have convinced themselves that on this issue, if no other, the tide of history is flowing in their favour.

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TORIES IN BLACKPOOL

BBC hits back at Mawhinney over bias allegation

COLIN BROWN
Chief Political Correspondent

The BBC was last night engaged in a bitter battle with the Tory leadership over allegations of political bias against the *Today* programme by Brian Mawhinney, the party chairman.

Dr Mawhinney's attack on the flagship current affairs radio programme was applauded by Tory representatives at the Conservative Party conference in Blackpool but rejected by the BBC. "The *Today* programme has no political philosophy other than that of impartiality," said a BBC spokesman.

In a hard-hitting speech marking a sharp contrast to his predecessor Jeremy Hanley, Dr Mawhinney claimed the programme had given air-time to calls for an £8bn increase in public expenditure in one week.

Accusing the BBC of bowing to pressure groups, Dr Mawhinney said: "Let me remind the BBC - this government does not govern because it has won some broadcasting award, it has a mandate. The *Today* programme only has a licence."

The programme had a political philosophy, he said. "It believes strongly that there is no problem which cannot be solved by more public spending. And it is always happy to provide a platform for anyone with a similar philosophy to make their pitch. Their hands in your pocket is its motto."

rupty," Dr Mawhinney added. He warned the BBC that the unit would continue to monitor programmes for bias in the run up to the general election.

The warning comes hard on the heels of a row at the Labour conference when Alistair Campbell, Tony Blair's press secretary, sent a fax to BBC news editors urging them not to allow the OJ Simpson verdict to overshadow the Labour leader's keynote speech on the evening news. Dr Mawhinney's attack suggests the BBC could come under fire from both sides as the election approaches.

The party chairman also attacked Mr Blair, the shadow Home Secretary Jack Straw and "loony left" councils for giving grants to fringe groups. He ridiculed Labour-controlled Camden council for giving a grant to the local Homophobic Asian Women's Group.

How the figures were worked out

The public spending demands allegedly made on the *Today* programme in the week beginning 25 September add up to at least £7.92bn and would require an extra 5 per cent on the basic rate of income tax, the Conservative Research Department claimed yesterday.

But a "Costing the *Today* Programme" breakdown amounts to little more than a compilation of contributions from programme guests and assumptions.

Friends of the Earth, for example, called for policies to reduce traffic. In the absence of figures, the CRD calculated the cost of a 5 per cent increase in transport spending - or an extra £176.5m - "the very least needed to make any substance out of FoE's demands." In the case of a *Today* report on underfunding the Crown Prosecution Service, the CRD appear to have simply plucked a 5 per cent increase in the CPS's budget, costing £14.75m, out of the air.

It caused guffaws among the Tory faithful, but Frank Dobson, a shadow cabinet minister whose constituency covers the group, demanded an apology. He said the club was also funded by the Home Office and the Save the Children Fund.

Dr Mawhinney lifted Tory supporters with a rousing call to arms, assuring them they were heading for victory. He also urged the public to protest about soft sentences in a foretaste of law-and-order measures to be announced by the Home Secretary.



The thinker: Michael Heseltine listening to the debate yesterday. Photograph: Brian Harris

The Tories' media hitman

CHRIS BLACKHURST
Westminster Correspondent

Brian Mawhinney's well-briefed broadside against BBC Radio 4's *Today* programme yesterday was down to one man. Step forward the redoubtable Julian Lewis, media monitor extraordinaire.

Shortly before the Tory chairman's speech, Mr Lewis could be found hurrying towards the conference hall. As deputy head of research for the party, Mr Lewis carefully watches and listens for every bit of possible anti-Tory bias. His favourite target

and one he developed at the Media Monitoring Unit, which he helped run in the mid-Eighties, is the BBC. In his eyes, it is prone to liberal tendencies, falls prey to socialist cant, and too easily turns on the Government.

This one-man scourge of the Beeb is a short, softly spoken, baby-faced figure. Do not be fooled. When he spots an enemy, he goes for the jugular. His most recent crusade has been against the satirical magazine, *Scallywag*. His methods were frighteningly successful: it attacked him; the editors boasted

"sue us if you dare", and said they had no money; Mr Lewis sued the distributors and newsagents instead. The magazine has all but disappeared.

Mr Lewis is keen to secure a parliamentary seat and there was talk his days at Central Office were numbered. But Labour's love affair with the upper echelons of the BBC and the heavy handed tactics of its press spokesman, Alistair Campbell, in demanding that Tony Blair be given priority over the OJ verdict, mean Mr Lewis's skills will be in even greater demand.

Yesterday at the conference

Main announcements

- Move towards an Atlantic free trade area
- Rural housing to be excluded from extension to Right to Buy
- Combined Navy-Army-RAF strikeforce to be formed
- Ministerial committee on children at risk
- Initiative to get more children involved in the arts

Quotes of the day

"Where Palmerston would have sent a gunboat, Robin Cook would send Rainbow Warrior." *Malcolm Rifkind*

"Contrary to what some of you may think, this is not - officially - an opposition party." *Brian Mawhinney* about the *Today* programme

"Brussels. You know I'd mention it." *Michael Portillo*, turning to Major

Good day... bad day Devil of the day



Michael Portillo swapped himself in the limo for the SAS to win prolonged applause



John Redwood relegated to the fringe as his right-wing rival secured the conference



Radio 4's *Today* programme vilified by Mr Mawhinney for low-towing to pressure groups

The big three on the fringe

- 1 Europe: The Battle for Britain. Freedom Association with seven formerly whipless rebels. Drew 300 people
- 2 European Foundation meeting entitled The Socialist Betrayal of Europe. Lord Tebbit in lead role (drew 230)
- 3 Conservative 2000 - What Next? Debate with John Redwood and Andrew Row, stand-in for Alan Howard

The party to be seen at

Institute of Directors' non-transferable invite, free drinks

Sightings

Daily Mail chief Sir David English dining with Michael Heseltine

Rapturemeter

Michael Portillo	Brian Mawhinney	Malcolm Rifkind
2m45s	2m20s	0m48s
945 decibels	93 decibels	89 decibels

Michael Dobbs' man of the moment

(the performance which took the eye of the former Tory vice-chairman and House of Commons author)

Whoever was responsible for the autocue malfunctioning so Mr Mawhinney was forced to communicate directly with the audience

Today debates

Transport: Sir George Young. Education and employment: Gillian Shepard. Competition and deregulation: Michael Heseltine. Social security: Peter Lilley. Health: Stephen Dorrell. Local government and housing: David Curry

Compiled by Stephen Goodwin

Technical pause halts the Tory fast forward to the future

It must be something to do with the approaching Millennium. After last week's celebration of newness - new Labour, new Britain, new suits - the Tories appear similarly hung up on what comes next. No less, according to the conference logo, a firework-shaped Union Jack exploding across Blackpool's Winter Gardens, than our nation's future.

Everywhere you looked this future was being embraced. In a side room off the conference hall, for instance, Tory Central



JIM WHITE

Office fund-raisers were coming up with new ways to finance the party in future elections, now Tate & Lyle has taken its cheque elsewhere.

These were ideas like the Smartie initiative. This involved handing out tubes of the sweets with a leaflet, which read: "Eat the sweets one by one/And when the tasty job is done/Then the cartoon with 20ps/Then come return it to us please." Donors will be comforted to know none of their money was wasted employing Seamus Heaney as a copy-writer, then.

Moreover, after Labour's embrace of technology, the Tories are also easing their juggernaut on to the information super-

highway. Swat teams of blondes in blue gowns have been handing out leaflets to delegates explaining how to switch in to the web. In a party boasting membership with an average age of 60, however, an invitation to surf the net is unlikely to be taken up as most delegates look as though they would throw by the pre-record facility on their videos.

But it was Brian Mawhinney who was keenest to look into the future. It was his department that produced the hi-tech stage,

a monolith in blue velvet. Above it bloomed the centrepiece of Mawhinney's vision - three giant video screens. On the middle screen was projected the subject under debate, and on the outer two were huge images of speakers. As, through the first morning, one delegate merged into another, you wondered why they had gone to so much technological trouble.

But that was before Brian Mawhinney himself spoke. No point coming up with all the toys if you can't play with them first. Mawhinney is so forward-thinking a party chairman, he is already living in a time when political speeches take their lead from pop videos. Before he appeared on stage, the lights dimmed and up on the screens spun an artfully directed promo film contrasting the endless winter of the last Labour government with the long, languorous parsons-umpiring village-cricket-matches summer of Britain under the Tories. And when he spoke - veering from assaults on the *Today*

programme to assaults on the Labour front bench - his themes flashed up overhead. "Not fit to govern" was his favourite, the delegates picking it up as he pointed to the words above him like a pantomime dame when the sing-along script is wheeled on stage. He wrapped up by referring back to his home movie. Or, more particularly, to the Joe Cocker song which sound-tracked it. "We'll lift you up where you belong," he clinaxed.

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Mr Mawhinney's, though, was a technical tour de force - loud, aggressive and flashy. The only black spot was that it started 20 minutes late, due to a technical hitch. Britain's future, it seems, can only start once someone has put the video in the machine.

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news

Concerts under threat in war over stars

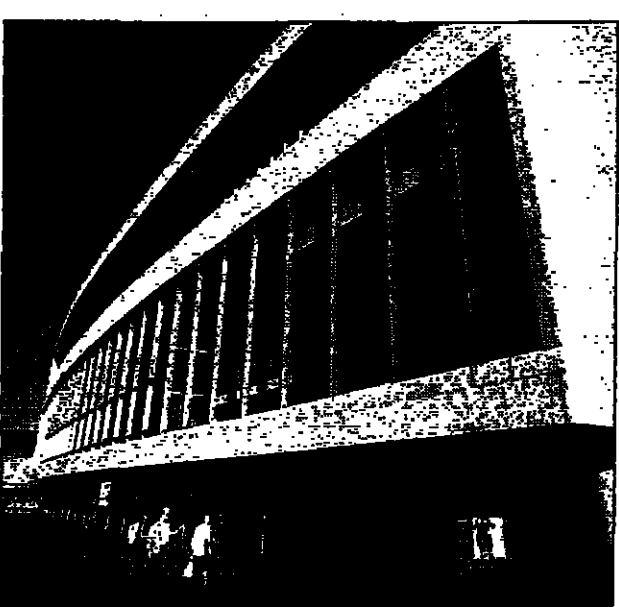
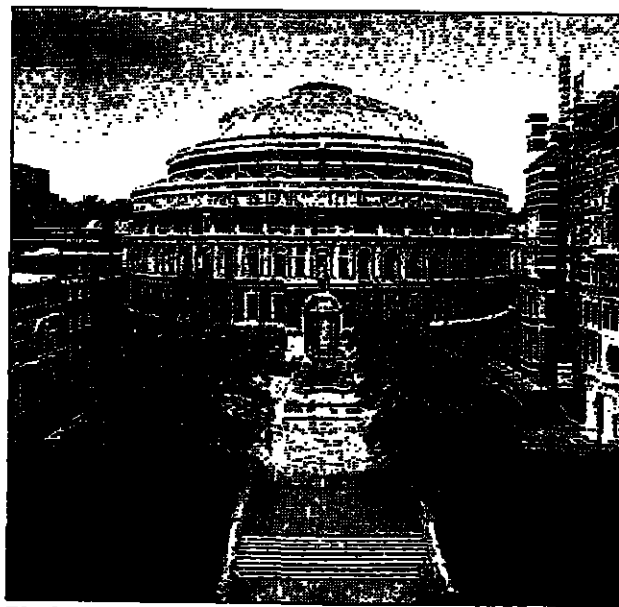
DAVID LISTER
Arts Correspondent

The heads of Britain's two best known concert halls were locked in a vitriolic row yesterday as the Royal Festival Hall was accused of using taxpayers' money to poach stars from the Royal Albert Hall.

Patrick Deuchar, chief executive of the Royal Albert Hall, said that the South Bank Centre, which runs the Royal Festival Hall, was using public subsidy to lure stars like Shirley Bassey.

They could afford to offer promoters cheaper rates to hire their hall, he said, because they used public money to do so. But, he added, this money was given by the Government to put on classical music and new and experimental work, not big-name commercial artists.

Many of these have been pop and rock stars. Among artists who have appeared recently at the Royal Festival Hall and used to appear at the Royal Albert Hall, are: Art Garfunkel, Elvis Costello, BB King, Joe Jackson and Ry Cooder.



Rivals: The Royal Albert Hall (left) and Royal Festival Hall (Photographs by Edward Webb). Shirley Bassey and Eric Clapton are among performers at the centre of the dispute

Mr Deuchar said yesterday: "I'm not concerned about competition as such, but it does become a bit unfair when an institution has a significant amount of public funds to fling about and they can offer sig-

nificantly lower rates for the hire of their hall. Shirley Bassey, for example, was a regular performer at the Royal Albert Hall, but now she has been offered lower rates to appear at a publicly subsidised venue.

"It really bothers me that individual venues should be out there undercutting in a way that other halls can't offer. Public subsidy was not intended for this. There are a number of commercial venues in London

from large ones like ourselves to smaller ones, like the Shepherd's Bush Empire, which face losing performers. The whole stability of the London concert scene is now under threat. The Royal Albert Hall re-

ceives no public subsidy, and it is hoping to win lottery money for a complete refurbishment and redevelopment which would also be partly funded by box office receipts. Mr Deuchar said the Royal Festival Hall's

poaching of artists could harm these plans.

While Eric Clapton, who plays 12 nights each year at the Royal Albert Hall, is so attached to the venue that he would not be tempted elsewhere, nearly

every other pop and rock star who plays the Hall is open to persuasion. It is highly unusual for the head of one major concert hall to attack another publicly in this way, but it is a sign of the increasing competition among venues in London.

The South Bank Centre receives a £13.3m Arts Council grant. The general director of the South Bank Centre, Nicholas Snowman, said last night: "The Royal Festival Hall has always been in demand by a wide range of performers. In the past, Jimi Hendrix, David Bowie, Pink Floyd, the Pet Shop Boys and Frank Sinatra have played there."

"The Royal Festival Hall is let commercially and will continue to be a major international flagship for the arts, providing first class concerts for everyone."

An Arts Council spokeswoman said: "We are here to see that some of the highest quality art is put on at the venues who receive our money. But when we give the grant we are not specific about what they can spend the money on."

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Royal Opera House 'elitist and wasteful'

DAVID LISTER

An astonishing attack on waste and restrictive practices at the Royal Opera House and other national companies was made yesterday by the leading classical music promoter, Raymond Gubbay.

Mr Gubbay, one of the most respected figures in the field, worked a few years ago with the Royal Opera House on a co-production of *Turandot*.

Yesterday he announced he would be mounting a £1m arena opera production of *La Bohème* next February with the Royal Albert Hall. He wanted to put it on there, he said, because places like the Royal Opera House and London Coliseum, home of the English National Opera, were elitist and used their money badly.

The rarity of such an attack by an arts practitioner was matched by the extreme nature of the language used.

Mr Gubbay said: "The top price at *La Bohème* will be £37, compared to over £100 at the Royal Opera House. It has become far too elitist. People go there to be seen, for the interval drinks and for meals in the restaurants round the corner.

"In addition, there are methods of doing things and restrictive practices which don't bear scrutiny at both the Royal Opera House and the Coliseum. Stage hands are getting overtime paid all the time.

"But the nature of theatre work is that you don't work a

nine-to-five day. The Royal Opera House are definitely overpaying their backstage staff. Those guys get in some cases more than the performers. I know for example that when something is wanted from the props department two people have to go and they don't work again that day because they have left the theatre. The lottery award of £52m to the Royal Opera House was obscene. There is a need for proper scrutiny and accountability as it might well be wasting a substantial amount of money a year."

Mr Gubbay said the Royal Shakespeare Company was employing "a bunch of actors, none of whom earn more than £500 a week. Why is the company getting all that money? There just don't seem to be the same controls and scrutiny that there is in the commercial sector."

The attack was added to by Patrick Deuchar, chief executive of the Royal Albert Hall. He said that a survey of his customers had shown they wanted opera in comfortable surroundings at reasonable prices.

He said: "There's a strata of society who desperately want to come and enjoy opera but the atmosphere at our opera houses is icy and dismissive."

A spokeswoman for the Royal Opera House said the practices complained of were no longer in existence. "We have the most efficient and cost effective personnel operation in existence."

Labour sets out defence strategy

CHRISTOPHER BELLAMY
Defence Correspondent

Britain's defence industry, which has halved in size since 1980, is facing its "greatest challenge ever", according to a Labour Party report published yesterday.

Labour reaffirmed its commitment to a fundamental review of defence priorities and a strategy for preserving the British defence industry or converting it to civilian production without sacrificing jobs, if it wins the next election.

"The defence industrial base is a strategic national interest in both defence and economic terms," said Dr David Clark, the shadow defence secretary, launching *Strategy for a Secure Future*, the party's manifesto for the defence industry. "It is a preserve of high-tech innovation which Britain cannot afford to lose. Decline of Britain's capability in this field can and must be averted," he added.

Labour's review will examine four "core strategic areas": Nato and the enlargement of the Atlantic alliance; the strengthening of European defence structures; the role of the UN in international peace-keeping; and international security agreements, including the control of weapons proliferation. Labour advocates enhancing the role of the UN's peace-keeping operation and the adoption of a UN military doctrine - suggesting a permanent UN peace-keeping force.

The report says British defence expenditure has fallen by



David Clark: Commitment to full defence review

28 per cent since its peak in the mid-1980s - the height of the Cold War. But falling expenditure has coincided with increased costs as equipment gets more sophisticated.

The report says Britain's industrial defence workforce has halved since 1980, from 405,000 directly employed and 740,000 overall to 210,000 and 395,000 respectively.

A strong defence industrial base is vital to the national interest, the report says, as well as being a high-technology preserve "we cannot afford to lose in economic terms."

The report acknowledges the Tory reforms in defence procurement which, it says, ended "the previously rather cosy relationship between MoD and its suppliers". But it criticises the failure of the Government to realise the "peace dividend" expected to materialise at the end of the Cold War.

هكذا من الاجل

Tourists visit seaside focus of Disney Pocahontas legend



Light relief: Pocahontas's stain glass window at St George's Church, Gravesend

Photograph: Geraint Lewis

CLARE GARNER

Walt Disney has brought the tourists to Florida, France and Tokyo - now it is doing the same for Gravesend, where pilgrims are searching for the truth about Pocahontas.

St George's Church, where the Indian princess was buried in 1617, has experienced a surge of visitors since the US launch of Disney's animated film, Pocahontas in June.

The blockbuster crosses the Atlantic this week and as Walt Disney has pledged £9,000 to illuminate the church tower and Pocahontas's statue, the town is preparing for a further influx of visitors.

Disney has turned the Pocahontas legend into a romantic story of a beautiful Indian maiden who saves the life of handsome explorer John Smith and embarks on a love affair that crosses races and cultures.

In reality, though Pocahontas did save Smith from a ceremonial execution, she married someone else and was later kidnapped and taken to England where she became one of the early ethnic celebrities. She died before she could return

home and was buried at Gravesend.

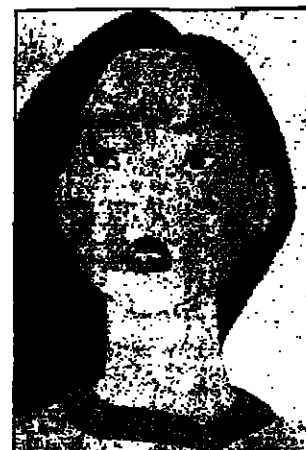
One visitor, Dr Gerald Thiake Alfred, 31, from Kahnawake Indian reserve in Canada, was in search of what he called 'real history'.

"I was disgusted by the movie so I figured I should come here and see how they presented the subject. The movie is very offensive and racist," said Dr Alfred, a Mohawk Indian who lectures in political science at Montreal's University of Concordia.

As delighted with the memorial as he was disgusted with Disney, Dr Alfred continued: "I came here to see exactly where she is buried. The presentation here seems pretty objective. It is a simple monument which is not romanticised or distorted."

"If people come and see an Indian princess so far from where she lived her life it should make them ask questions about why she died here. She was a victim of the times. You can take it for granted she wasn't here by choice."

Dr Alfred welcomed the floodlighting. "It is a good idea if it brings people here to ask questions about the continuing



Disney's cartoon image of Pocahontas and, right, her statue at Gravesend



legacy of the treatment of Indian people, not perpetuate the mythology," he said.

Another of yesterday's visitors, Carl Lawton, 50, from Los Angeles said: "Pocahontas symbolises that there should be peace and harmony between all races." He too predicted a tourist influx. "Gravesend is too small a town to withstand it. It's going to get nuts."

Leading Article, page 18

Public school heads seek funding for more places

JUDITH JUDD
Education Editor

Public schools are talking to both the Conservative and Labour parties about funding more places in private schools, a leading public school head said yesterday.

Labour should subsidise local authority places for less wealthy pupils in independent schools, Hugh Wright, new chairman of the Headmasters' Conference, said at its annual meeting in Dublin.

Labour sources indicated last night that the party was considering councils buying independent school places for pupils with special needs and aptitude, but not chosen by academic selection.

Mr Wright urged the Government to expand the assisted places scheme, which helps bright pupils from poor homes to attend private schools, or to bring in some other scheme of government-backed scholarships. Independent school representatives are discussing an expansion of the 30,000-place scheme with Downing Street, which hopes the policy will emphasise the Conservatives' differences with Labour.

Labour has said it will abolish the scheme, which costs £110m a year, and use the money to fund smaller class sizes. But Mr Wright said: "New Labour is looking at independent schools in a new way."

In a speech designed to woo politicians of all parties, Mr Wright, head of King Edward's School in Birmingham, told 240 conference members: "I say to politicians of all parties that you cannot afford to be without us. The independent sector has 7 per cent of all pupils, more at 16-plus where places are most

costly, and if it were not there, the Department for Education and Employment's budget would have to increase by at least £1bn."

He made it clear that public schools were prepared to open their facilities to the community as Labour has demanded. "Our facilities can be had cost-effectively and for some pupils in every locality a place bought in our schools by the local education authority would save duplication and often help specialist talent to be developed."

Mr Wright said more pupils should have access to independent schools, not necessarily through the assisted places scheme. He said it would not be as expensive as it sounded.

He argued that the cost to the Treasury of each pupil's education was little more than if they were in state schools, particularly in the sixth form.

David Blunkett, Labour's education spokesman, said the party was interested in Mr Wright's offer to open up private school facilities but he added: "While we would be happy to discuss any proposals which the Headmasters' Conference may have, we are not in favour of an alternative to the assisted places scheme."

Public school heads should continue to give pupils a strong moral lead, said Roy Chapman, head of Malvern College, despite the fact that some had fallen below those standards since his similar call at last year's conference. Peter Hobson, head of Charterhouse, resigned recently after meetings with an escort girl.

Mr Chapman said: "I don't believe teachers should claim to be unique in facing up to the pressure put on people in all walks of life."

Magazine 'filth' under attack

Women's magazines have become so obsessed with sex that they should be consigned to the top shelf, the boss of a leading model agency said yesterday.

Lorraine Ashton, managing director of IMG Models, said that titles such as *Cosmopolitan*, *Company* and *Marie Claire* had degenerated into "filth".

And she warned that she would be urging her models to think twice before consenting to pose for the magazines.

Ms Ashton said: "We don't need to read 'How to have 15 orgasms' on the front cover of these magazines. It isn't education, it's filth. They belong on the top shelf. It isn't right to say that *Cosmo* has been doing it for so long that it is acceptable."

The 49-year-old agency chief, who was a top model in the Sixties, preserved her most withering criticism for a new magazine, *Dazed and Confused*.

She told London's *Evening Standard*: "I object to cheapness. *Dazed and Confused* lives up to its name. It is rubbish and I hope it goes out of business."

Ms Ashton added: "I be-

lieve girls and boys are being exploited by magazines for the sake of ever-increasing sales."

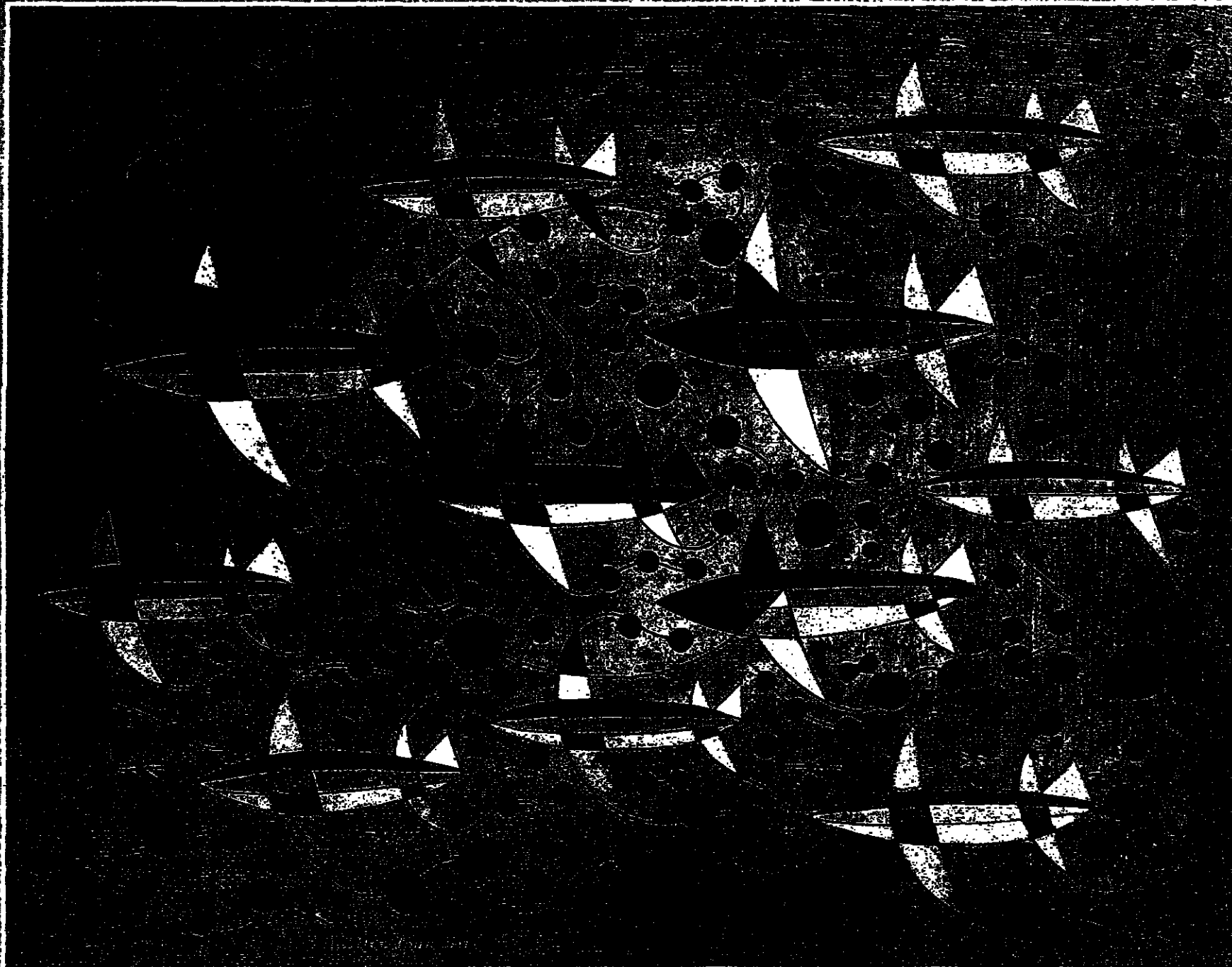
"To have a girl and a boy in a state of undress simulating sex is gruesome, as is driving past a bus stop and seeing a couple licking ice-cream off each other. A nude scene in the shower would be okay but there has to be a line drawn somewhere."

Her outburst provoked an angry response from magazine publishing sources, who dismissed it as an attempt to raise the profile of the agency.

A spokeswoman for the National Magazine Company, which publishes *Cosmopolitan* and *Company*, refused to comment.

Rankin Waddell, publisher of *Dazed and Confused*, defended his current issue, which depicts a topless model licking a bloody axe. "It's misrepresentation. We are not a women's fashion magazine but a style magazine such as *The Face* or *ID*. Our shots are all concept shots based around women's issues. Women shouldn't cut themselves up in order to look better."

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news

Service chiefs tell judges gay ban must stay

STEPHEN WARD
Legal Affairs Correspondent

All the service chiefs still believe there is a substantial risk that lifting the ban on gays in the armed forces would damage their efficiency, the Court of Appeal heard yesterday.

The Master of the Rolls, Sir Thomas Bingham, and two other Court of Appeal judges are hearing the latest stage of an attempt by four former servicemen and women to overturn the ban. On Monday the court was told by David Pannick QC, representing the four, that the ban was irrational.

But yesterday Stephen Richards, for the Ministry of Defence, quoted from an affidavit by the Air Chief Marshal, Sir John Willis, on behalf of all the services, which said: "A high state of discipline and morale is essential to the fighting efficiency of the services. To allow those of a homosexual orientation in the armed services would be a disruptive influence on the fabric of service life and discipline."

"The services have a duty of care for the welfare and morale of their young members. To expose them to potentially disruptive and disturbing

influences would be to fail in that duty. The nature of armed forces life requires its members to live in close proximity with others in single-sex accommodation, with little privacy and at times under great stress and physically in close quarters with colleagues."

It was necessary to have "absolute trust and confidence between and within all ranks". Mr Richards told the court it was the public duty of the services to provide an efficient and effective fighting force.

Britain is almost alone among Western countries in keeping a ban on gays in its forces. But Mr Richards said other countries who had admitted gays had only done so recently, so it was not possible to say the ban had suddenly become irrational.

He said that based on the experience of senior officers "it is not possible to retain even homosexuals who claim to be in serious relationships".

The ban had been repeatedly supported by Parliament, he said, and was lawful.

Moving on to the argument by the four ex-service personnel that the ban breached the European Union's equal treatment directive, Mr Richards

said this did not apply to people's sexuality but only to equal treatment between genders.

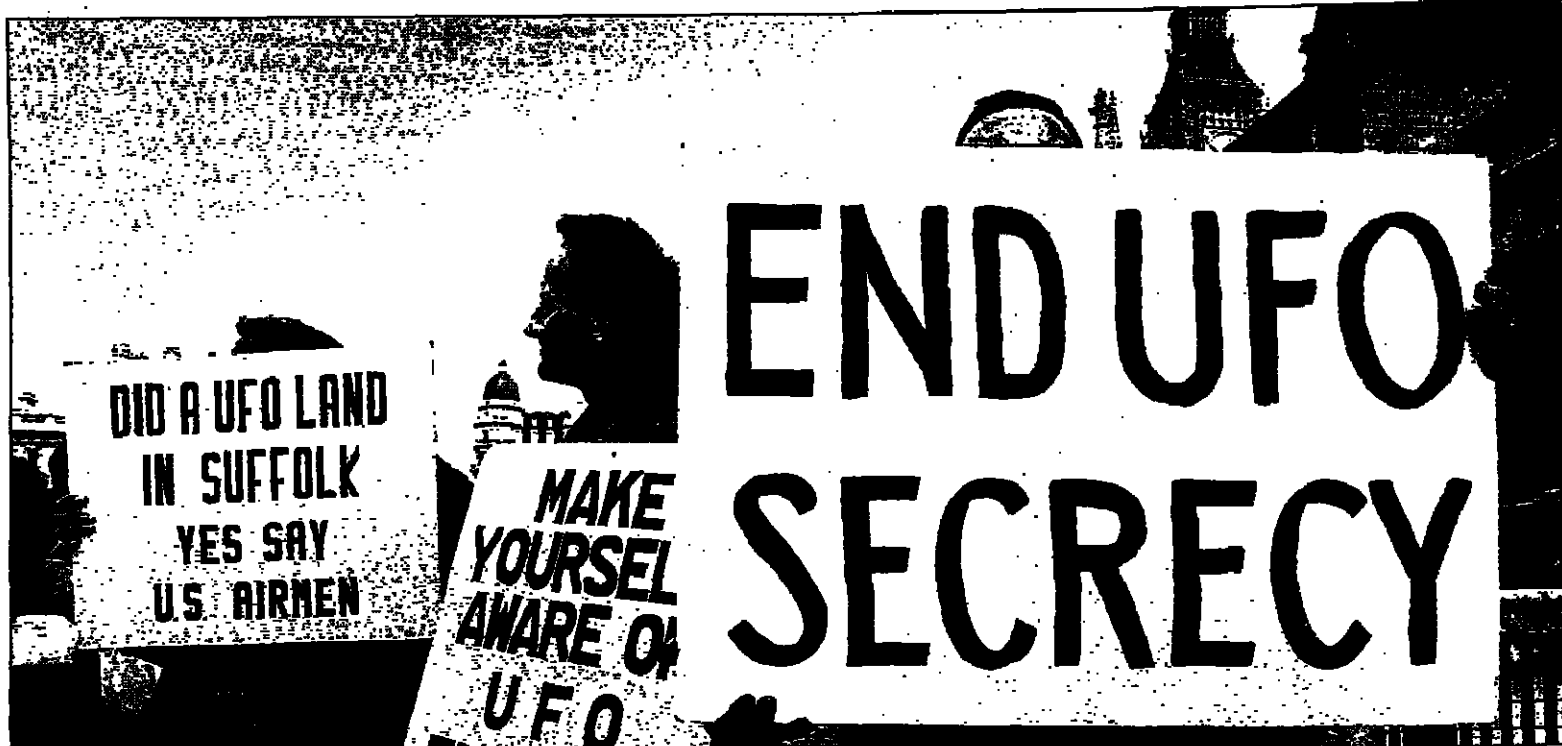
The case was rejected by the High Court in June, although one of the judges, Lord Justice Simon Brown, said it was with "hesitation and regret" that the court decided it could not overturn the ban. "The tide of history is against the Ministry of Defence. Prejudices are breaking down - old barriers are being removed," he said in his judgment. He doubted that the ban could survive much longer.

The MoD subsequently commissioned a review of the evidence, and is looking at the operation of other armed forces that do not ban gays. MPs are due to reconsider the policy next year. The four have said they will take their case to the House of Lords if they are turned down by the Court of Appeal.

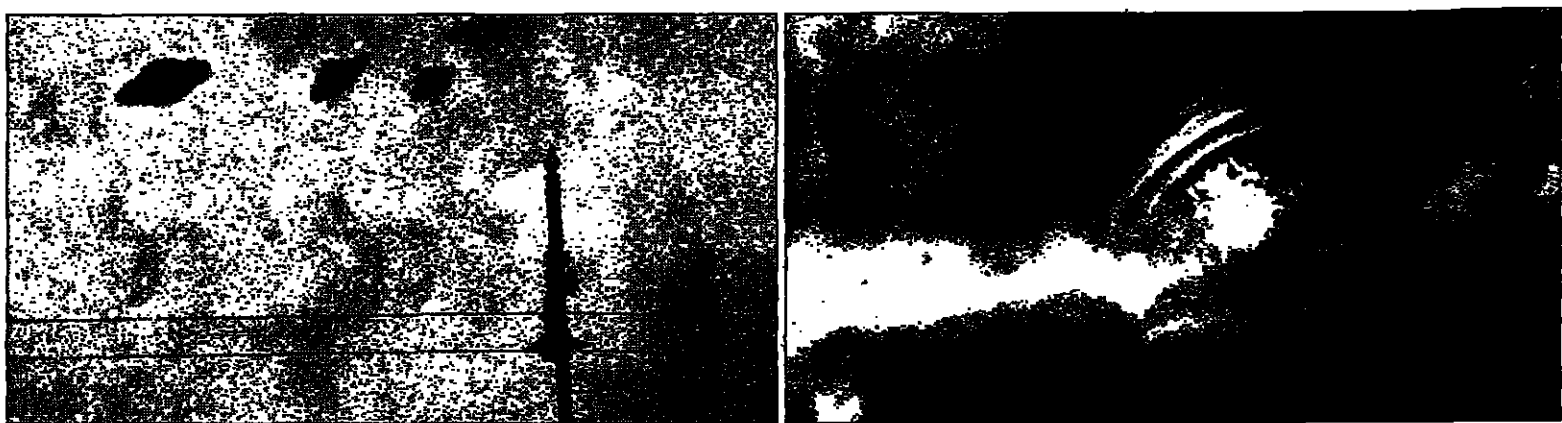
The four are a former Navy lieutenant commander, Duncan Lustig-Preen, 36; a former RAF sergeant, Graeme Grady, 32; a former RAF nurse, Jeanette Smith, 28, from Edinburgh; and a former navy weapons engineer, John Beckett, 25. All had civilian partners when they discharged, and all had good service records.

The case continues today.

Alien visions give rise to earthly clamour



Space oddity: Protesters taking part in Operation Right to Know, above, demanding access to official information on UFO sightings such as an alleged UFO photographed over Warrington in 1978, below right, and a string of flying saucers from 1966, below left. Photograph: Glyn Griffiths



UFO protest: MoD asked for 'truth' on sightings

LOUISE JURY

It was all a question of common-sense reasoning, they said. The Ministry of Defence knew a lot more about unidentified flying objects (UFOs) than it was publicly prepared to admit.

"The earth is in the midst of something non-human," said John Holman, UK co-ordinator of the campaign to end UFO secrecy. "It's becoming more and more documented."

"They're not hallucinations, they're not all mis-identifications. I am as sceptical as the next person, but when I see video tapes and I don't know what they are - they are not balloons and they are not aircraft - I want to know."

The point seemed perfectly reasonable. The Government has files. It has people in its Secretariat Air Staff assessing whether flying flashing lights are the Russians or little green men from outer space. Operation Right to Know believes the public should be told.

As Mr Holman, a 46-year-old industrial designer from Ripon, North Yorkshire, and 20 supporters demonstrated outside Parliament yesterday, passers-by seemed only slightly puzzled

by the banners proclaiming: "UFOs Are Real. The Truth Is Out."

Closer questioning threw up matters more baffling, however. "Alien abductions have been going on for a long time," confessed Busty Taylor, a driving instructor from Hampshire who also lectures worldwide on crop circles.

"The aliens have been carrying out experiments. There's lots of evidence to prove that point now. I've seen many UFOs."

Phillip Lambro, a 60-year-old Los Angeles composer, told a story of Christopher Columbus. When the great explorer was looking for money for a ship, he was told he would never get across the ocean and how the beasts and dragons would devour him, or if he survived, how he would fall off the end of the horizon. "We know now that is not the case," Mr Lambro said.

There have been 50 million reports worldwide of UFO sightings since 1954. Not all of them were fakes. Mr Lambro belongs to the Raelian Movement, which is preparing an embassy for extra-terrestrials for when they land.

There was nothing to be

afraid of, said Andrea Corsic, 45, a Californian marketing manager. "I really don't think there's going to be things like in the movies."

Mr Holman endeavoured to bring the debate back down to earth. "What we are after are the military reports and pilot reports which have been collected over 50 years," he said.

"We want to know what the military assessments are and what recommendations were made to government. We are not in a Cold War situation now, so why should UFOs be deemed a threat?"

Next year, Nick Pope, a serving civil servant who spent four years with the Ministry of Defence's UFO-watching secretariat, publishes a book, *Open Skies, Closed Minds - official reaction to the UFO phenomenon*. Mr Holman and Operation Right to Know are excited at the prospect. They believe he is now on their side.

Michael Owen, 47, a passing American businessman, took a leaflet from the group for a UFO-spotting friend back home. "As people of old looked for dragons, people of today look for what may or may not exist," he said.

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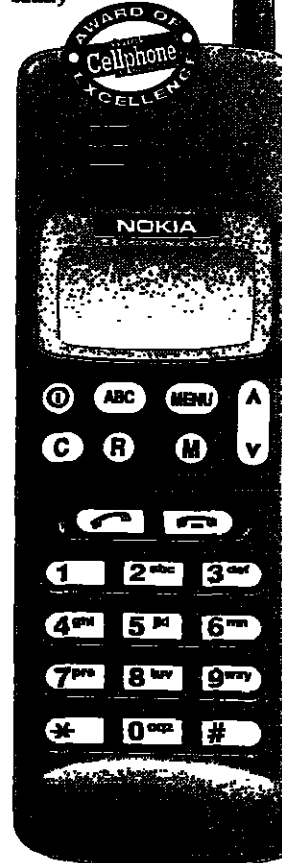
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هكذا من الاصل

BBC demands dominant role in digital TV

MARIANNE MACDONALD

The BBC yesterday began a campaign to persuade the Government to give it a dominant power base in the brave new world of digital television, due to start taking over the screens in two years.

The corporation announced that it wants total control of one of the six new digital frequencies - called "multiplexes" - which will provide the technology to create some 20 extra television channels.

A wholly owned multiplex would give the BBC far more power than it would have under the Government's own proposals, made in a consultation paper in August, to award the multiplexes to commercial middlemen.

That scenario could force the BBC to share a frequency with ITV or put the corporation in the humiliating position of having to negotiate with its multiplex operator on programming schedules.

Yesterday John Birt, the

BBC's director-general, said: "The digital age will liberate the BBC to provide a far wider range of services. But if we are to make as innovative a contribution to the digital age as we did in the radio and TV age, we need a multiplex for the BBC."

Mr Birt also urged the Department of National Heritage to draw up a timetable for transfer from the present analogue broadcasting system to the digital one, culminating in a switch-off date for analogue.

"We want a clear statement on a timetable from government, a process which leaves the industry in no doubt," he said.

His comments came after the BBC submitted its response to the Government's consultation paper on digital television, which asked for replies by the end of last week.

Digital television - which has been compared by Virginia Bottomley, the Heritage Secretary, to "moving from black-and-white to colour TV" - increases the number of channels which can be broadcast on terrestrial transmitters by compressing more information into the same space.

The system, which will open up television screens to home shopping, home banking and, eventually, video on demand, will start from 1997 although it could take 15 years to effect a complete changeover.

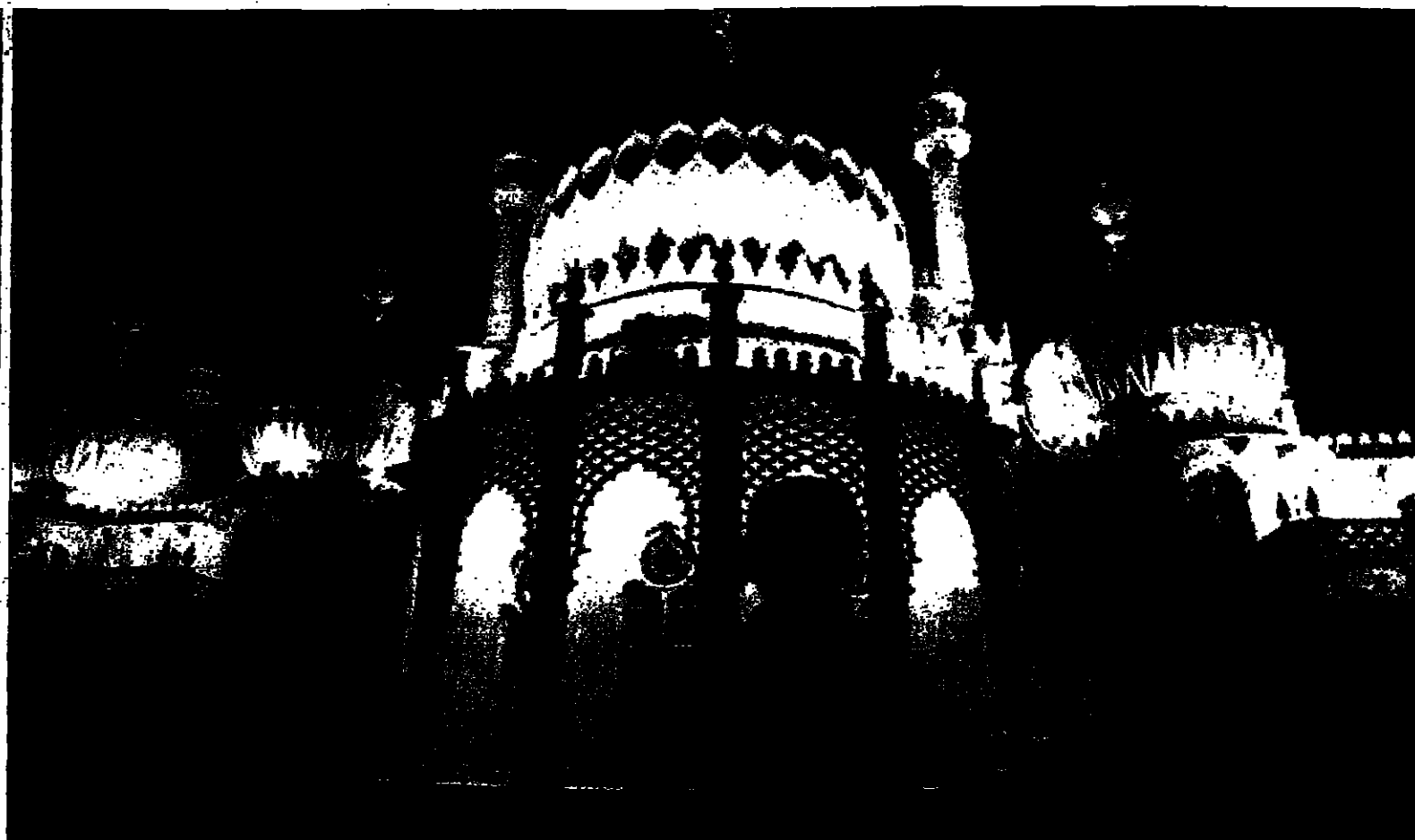
The existing stations - BBC1, BBC2, ITV and Channel 4 and the yet-to-be-launched Channel 5 - have all been guaranteed one of the extra channels created by the move to digital.

Mr Birt said the BBC would

take advantage of the extra broadcasting time to offer viewers increased sports coverage of events such as Wimbledon. Every summer, viewers complain when coverage is switched between the tennis and cricket.

The extra station would also allow a 24-hour BBC news operation, more coverage of arts festivals such as the Proms concerts and "gavel-to-gavel" footage of party conferences and key Commons debates.

A good example of the opportunities offered by digital was VJ Day, Mr Birt added. "With a single multiplex the BBC would have been able to show VJ Day events at length and at one and the same time from different parts of the UK."



Seeing the light: The Royal Pavilion in Brighton, named as winner in the 1995 Lighting Design Awards

Photograph: Andrew Hasson



John Birt: Seeking innovation

Sting's adviser tells of shame over £6m losses

MARY BRAID

The rock star Sting's former accountant claimed in court yesterday that he hid huge business losses from the performer because he was too embarrassed to own up to them.

Keith Moore, 51, who is accused of stealing £6m from the actor and singer, said he had hoped that a series of risky investments - using Sting's money - would eventually become successful. The ventures included a chain of Australian curry houses and a project to turn Russian military planes into passenger aircraft.

Mr Moore said it was his job to resolve, not give problems to Sting. He said their relationship relied on "mutual trust".

Mr Moore, who has denied using Sting's money for his own interests, insisted that once it became clear the money was lost he had been waiting for the right moment to tell his employer. He agreed with his defence counsel, Nicholas Purnell QC, that he planned to "sugar the pill" by telling him once it became clear how much he had saved the star in royalty negotiations with his record company, A&M Records.

But before the £24m saving emerged, he was confronted by Sting's lawyers. Sting has told

the court that a tip-off alerted him to the alleged fraud.

Mr Moore said he was ashamed about what had happened, but denied making any admission of dishonesty. "Absolutely not," he said. "There was no wrongdoing."

Mr Moore, of Fulham, south-west London, denies 15 sample charges of stealing from Sting's personal bank accounts and from a company account between 1988 and 1992.

Cross-examined by Ian Stern, for the prosecution, Mr Moore agreed that although he sent Sting regular statements about some of his bank accounts he never provided information about an account the singer had with the Bank of Scotland.

The prosecution claims Sting never knew his money was being used to fund largely unsuccessful schemes and that it was illegally transferred from Coutts and Company to Gramela Investments Ltd through the Bank of Scotland account.

Mr Moore denied telling a bank manager Gramela was his company or that the money behind it was his. He says that while the former lead singer of the Police did not know the details he had approved the "general principles" of the investment strategy.

The trial continues today.

Property prices keep on falling

House prices fell in nine out of 12 regions between the second and third quarters of this year and were lower than a year ago everywhere apart from Northern Ireland, according to figures published yesterday by the Halifax Building Society.

The province continued to buck the downward trend in the rest of the United Kingdom, recording another quarter-on-quarter increase in prices of 2.9 per cent, taking the yearly rise to 3.1 per cent.

Regional general manager John Donaldson said: "The stable political situation should continue to underpin market and business confidence generally. The factors which have contributed to lack of consumer confidence in the UK... are not having the same market effect."

The only other two regions to record price rises, both of 0.6 per cent, between the second and third quarters were the West Midlands and East Anglia

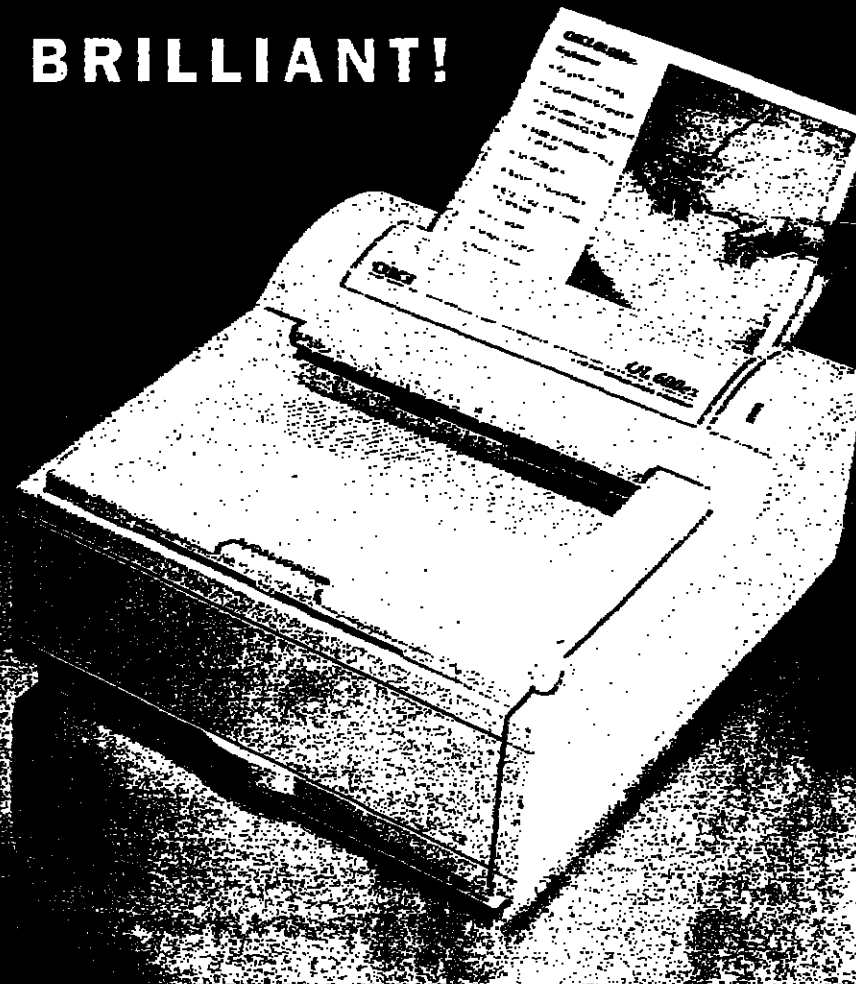
but prices were still down on a year ago. Regional prices were: North average price £48,714, down 2.3 per cent quarter-on-quarter, 4.7 per cent year-on-year;

Yorkshire/Humbersides: £50,535, down 1.1 per cent and 3 per cent; North-west: £52,415, down 2.4 per cent and 5.3 per cent; East Midlands: £53,041, down 1.5 per cent and 3.8 per cent; West Midlands: £61,037, up 0.6 per cent, down 1.8 per cent; East Angles: £58,599, up 0.6 per cent, down 2.1 per cent; Wales: £50,283, down 0.3 per cent and 4.4 per cent; South-west: £61,323, down 0.2 per cent and 2.2 per cent; South-east: £77,299, down 0.8 per cent and 0.8 per cent; Greater London: £77,613, down 1 per cent and 1.2 per cent; Northern Ireland: £45,250, up 2.9 per cent and 3.1 per cent; Scotland: £57,459, down 2.2 per cent and 1.4 per cent; United Kingdom: £61,499, down 1 per cent and 2.6 per cent.

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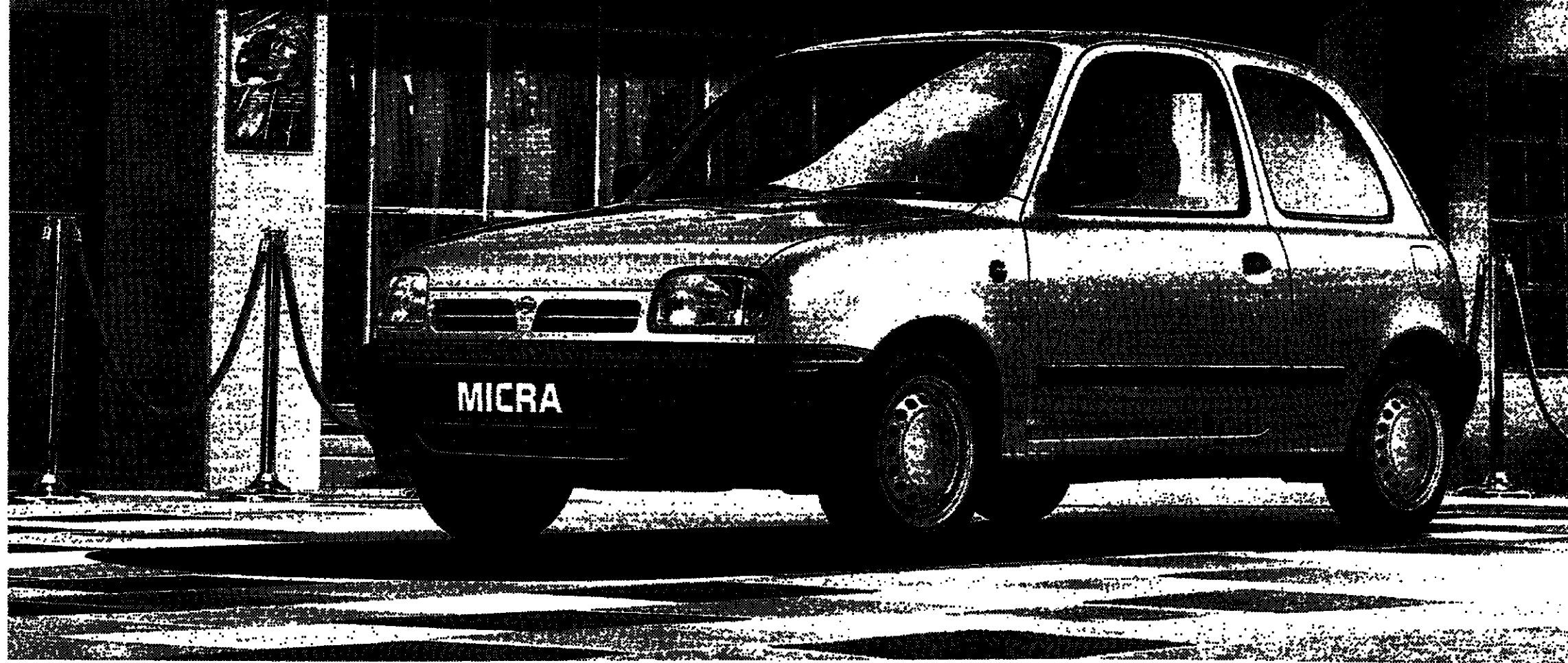
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مركز الراجحي

NHS set to be biggest private care provider

NICHOLAS TIMMINS
Public Policy Editor

The National Health Service has become Britain's third largest private hospital group – and will soon become the biggest, according to an annual review of independent health care.

A dramatic turn-round in the use of NHS pay beds and the construction of ever growing numbers of private patient wings – some using the Government's private finance initiative – saw the NHS take 16 per cent of the acute private health care market last year. The figure represents a rise of almost 50 per cent on 1988, the year an historic decline in NHS private patient activity saw it take a mere 11 per cent of private patient business.

By the likely time of the next election in 1997, the NHS will have 20 per cent of the market, according to *The Fitzhugh Directory*. It is already the third largest private care provider after BUPA Hospitals and the French-owned group which includes BMI. The decision of the French group to hive off its central London hospitals means the NHS is likely to be the biggest provider of private care in revenue terms in the current financial year.

"The increase in market share is being brought about not only by the increasing number of private units being commissioned by the trusts, but also by the increasing revenues which these units are generating as their familiarisation with the market increases," according to William Fitzhugh, the directory's author.

The top ten NHS earners all generated revenue of more than £2m with the London hospitals, Guys, St Thomas's and the Royal Free, all raising more than £8m. In all, the NHS brought in more than £115m from treating private patients.

Private work now accounts for more than 10 per cent of income at the heart transplant centre at Harefield Hospital,

Hampshire, the Nuffield Orthopaedic Centre, Oxford, and Wrightington Hospital, Wigan, which also specialises in orthopaedics, including hip replacements.

Another seven hospitals earned more than 5 per cent of their income privately including Oxford's Radcliffe Infirmary (5.6 per cent), St Mary's in London (5.8), the Christie in Manchester (7.3), Liverpool's Cardiothoracic Centre (7.6), the heart transplant centre at Papworth, Cambridgeshire (7.6), the Royal National Orthopaedic, London, (8.8) and the Royal Free (8.9). All saw increases of between 10 and 20 per cent in private patient revenues last year.

Less specialist hospitals with significant private patient revenues include the Royal Surrey County in Guildford (4.9 per cent), Epsom Healthcare (4.7 per cent) and the Frimley Park in Surrey (3.6).

Trusts are now marketing their private patient services "aggressively" and "the unspoken fear" among independent private hospitals "is just how far the NHS will succeed in penetrating the market", according to Mr Fitzhugh. "Could it really become the dominant force?" he asks.

Labour's policy on private practice remains unclear, he says, and after reaching a 20 per cent share of the market in 1997, the arrival of a Labour government would be likely to limit further capitalisation by the NHS on its "unique facilities and consultant relationships".

Independent hospital groups now appear resigned to slow but steady growth. "Not long ago, independent hospital operators used to talk of a large untapped market which they felt existed just over the horizon ... Increasingly, many are now accepting that this untapped market was a mirage," Mr Fitzhugh says.

□ *The Fitzhugh Directory, Tenth Edition 1995-96, 12 Riverview Grove, London W4 3QJ. £240.*

The King's new clothes to be sold after 320 years

MARIANNE MacDONALD
Arts Reporter



The honeysuckle-embroidered wedding suit of James II, the younger son of the executed Charles I, is to be sold at auction next month. The brown wool jacket and breeches will go under the hammer at Sotheby's on 2 November for an estimated £200,000 to £300,000.

The suit was made for James II when, as Duke of York, he married his second wife, the 14-year-old Mary of Modena, in the hope of producing a male heir to the throne. Mary was a fervent Catholic, and the wedding was opposed by the court of the ageing Charles II.

The pair must have made an odd couple – James had a slight, girlish figure, while Mary was described as "tall, and admirably shaped". Nevertheless, the pair were wed in 1673 at a ceremony boycotted by almost all the court except the loyal Sir Edward Carteret, to whom James gave the suit in gratitude. It passed to Sir Edward's widow and then to her sister Anne Durell, later wife of Matthew de Saumarez of Guernsey. It has been kept at the Saumarez Manor on Guernsey ever since.

Mary did give birth to a son, James Stuart, who spent most of his life in exile, although Anne and Mary, James's daughters by his first marriage, both became Queens.

Holding on to the past: Anne Lury of Sotheby's with James II's elaborate wedding costume, to be sold in November

Photograph: Glynn Griffiths

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Asthmatics' victory in road closure bid

Families of seven asthmatic children who live near a smog-ridden London road yesterday won the first round in their bid to have it closed to traffic on days with poor quality air.

Mr Justice Popplewell, in the High Court, granted them leave to bring a judicial review of a decision in June by Greenwich council not to use its powers under the 1984 Road Traffic Regulations Act to close roads when they are a danger to health.

However, the judge warned the families not to anticipate victory. He said the case was "just about capable of being argued and should be argued".

The hearing should take place before Christmas.

Graham Read, for the families, said there was overwhelming evidence that air pollution, especially from car emissions, had an effect on asthma sufferers.

An expert report indicated that Trafalgar Road, Greenwich, south-east London, was particularly subject to problems because it was in a valley and because of the density and proximity of housing.

There had been insufficient consideration of the evidence by the council because it had misunderstood the scope of its power under the Act.

DAILY POEM

Poem

By Paul Bowles

If only I might live as many centuries as I shall years
My pleasure would be choking me
I should stand in the fleeting wind on a high hill
And watch the stars swim over me for years
At each rainstorm I should feel the rough earth draining away
Beneath my fingers like sand at the outgoing tide
I could afford to take years at each hill at each garden
I could lie at the oceanshore for the time of two lives
And watch the waves roll in and creep out
I should find myself in northern castles nights where long since
All is dead and the cobwebs waver in the midnight chill
I should crawl down stony glens at the edge a crystal sphere
this large

Could not kill my thirst
I should hunt out a planted slope high over the city at evening
And watch the lights and watch the shadows and ships and
the black
Islands and I should find a deep hot valley bursting with shadows
Of leaves creeping with life and let beetles and ants crawl at noon
To see if I were dead I should spread my fingers fanwise in the
near sun
And challenge it to shrink me or drain my fiery blood
At dusk I should listen for footfalls in the thicket of vines near
I should hold my breath

I first corresponded with Paul Bowles in 1947, writes Graham Ackroyd, just before he published *The Sheltering Sky* and at a time when he was contributing short stories to a literary magazine in Tangier called *Zero*. He sent me this poem, written when he was 19 or so, with a note to say that he had once shown it to Gertrude Stein. "You're no poet, Mr Bowles", she had said, "Stick to composing", which rather put him off.

Paul Bowles's poem is published in *Nineties Poetry Number Five*, edited by Graham Ackroyd and published by the Lansdowne Press, 33 Lansdowne Place, Hove BN1 1HF at £4.95.

international

At last, Sarajevo basks in luxury of electric light

EMMA DALY
Sarajevo

The guns along Bosnia's front lines were due to fall silent at one minute past midnight last night, after natural gas and electricity began flowing to Sarajevo, the precondition for a 60-day ceasefire.

The government declared itself satisfied with the restoration of utilities to the capital yesterday, paving the way for a meeting last night to formalise the truce. But the darkest facet of the war — the ethnic cleansing of Serb-held areas — accelerated before the truce, after which the parties are supposed to treat prisoners and civilians "humanely".

"As far as we are concerned, utilities are restored," said Jim Landale, a UN spokesman in Sarajevo. A Bosnian minister, Hasan Muratovic, said the government would meet the rebel Serbs at Sarajevo airport last night, after which "we will

proclaim the full implementation of the agreement and our army will receive an order for a total ceasefire".

The UN High Commissioner for Refugees said 8,000 to 9,000 Muslims were facing expulsion across the front line to central Bosnia. Some 650 refugees, with their tales of horror, were expelled from the northern town of Sanski Most by paramilitaries loyal to Zeljko Raznatovic, the notorious warlord known as Arkan.

Kris Janowski of the UN-HCR in Sarajevo said those expelled told stories of rape, robbery and torture, and of being detained without food in a makeshift camp as their men were taken away. Before the war, more than 500,000 Muslims and Croats lived in the Banja Luka area; fewer than 20,000 remain, and Mr Janowski said 8,000 to 9,000 Muslims may be expelled in the next few days.

Once the ceasefire is in place, the UN may at last win access

to northern Bosnia, where heavy fighting has reduced Serb holdings in the past few weeks. The peace-keepers will need freedom of movement along front lines to monitor the truce and report violations. At present, Sarajevo is probably the only front-line area where the UN has a decent view.

Much of Sarajevo's Old Town sank into darkness last night, but the city centre and parts of the new town were enjoying the delights of (heavily restricted) power supplies, and even, in some privileged areas, water. As was the case before the Serbs cut off electricity in May, residents are allowed to use only a few watts — enough to power a television set, a couple of lights and a stove, but no heating — hence the vital importance of gas supplies as winter approaches.

"The city is in the process of being completely gassed up," said Gordon Hay of the British Overseas Development Ad-

ministration. "It is actually flowing into houses at the moment in the centre of the city and the new part of town — it is hoped that the whole city will be on by tonight."

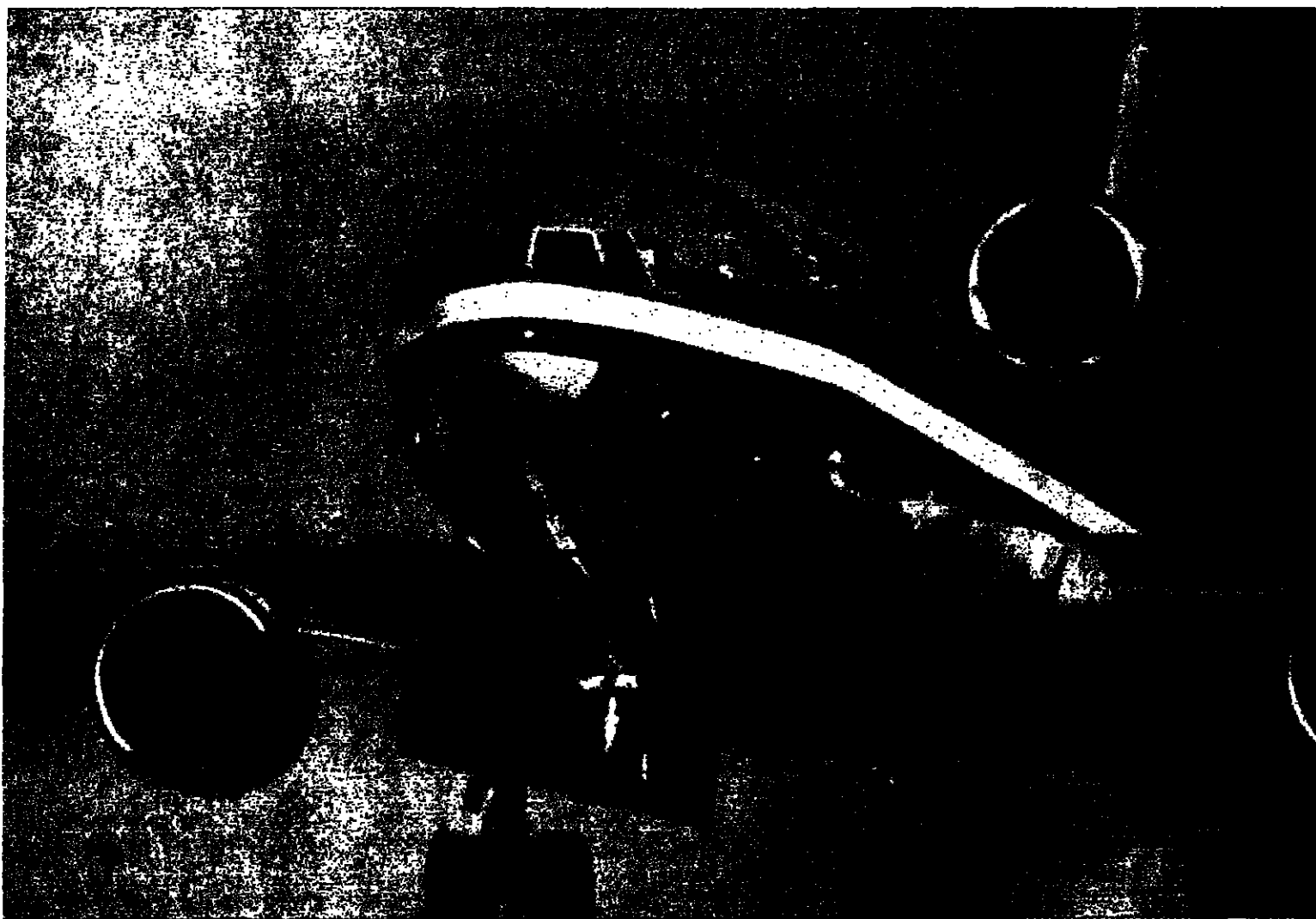
The ODA engineers were promising a constant supply rather than the 24 hours on, 24 hours off Sarajevoans were accustomed to. And the gas now smells, which should cut the number of explosions. In the past, as pressure fluctuated and pilot lights failed, odourless gas built up until some unfortunate householder lit a match.

"We've lived in the dark for so long," Bosiljka Maraus said, her eyes filling with tears, as the lights went on. "I don't know what to do first... I will cook something, then I will clean the flat." City streets filled with the hum of vacuum cleaners and the sound of music yesterday — though most people, like Mrs Maraus, did the chores first, fearing the supply would cut out after three or four hours.



Souper: A Red Cross worker prepares to serve at one of the reopened soup kitchens in Sarajevo Photograph: AP

AA



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Killer of Britons
shoots himself

Tangier (Reuters) — A policeman who killed two British tourists in the north Moroccan city of Tangier last week committed suicide yesterday as police closed in on his hideout.

Martin and Margaret Gower, a couple in their 60s from Ruislip, west London, were killed instantly by the gunman, who shouted "Allahu Akbar" (God is Greatest) during a rampage last Friday. Patricia Sheratt, a British woman in her 50s who was shot in the back, flew home in a hospital plane on Sunday.

The killer has been identified

as Inspector Mustapha Hamouche, a 39-year-old father of four. He went on a shooting spree at a seaside hotel after killing his wife. Three other tourists, including a 12-year-old British girl, Charlean Barker Hall, were wounded in the attack at the Tariq hotel. Charlean and her parents heard a woman shouting, "Help me! Save me!", and Charlean spoke to the gunman, who, she said, "looked carefully at me" before opening fire.

Police said the shooting appeared to be a crime of passion by a distraught husband who thought his wife was cheating on him during frequent visits to the hotel. A German tourist who was in the bar at the time of the shooting said there were about 50 people in the bar when a man wearing a long white robe walked in and started shooting with a small pistol.

IN BRIEF

Nigeria cuts coup leader's sentence

Abuja — The life sentence imposed on the former military ruler of Nigeria, retired General Oluasegun Obasanjo, on charges of plotting a coup has been reduced to 15 years, the information minister Walter Oronogoro announced at a news conference in the federal capital, Abuja. Sentences on 41 others allegedly involved in the coup plot, including Gen Obasanjo's former number two Shehu Musa Yar'Adua, has also been reduced. *Reuters*

Court rules it can hold genocide trials

Addis Ababa — An Ethiopian court ruled it has the authority to try members of the former Marxist regime on genocide and murder charges. The Central High Court said the transitional government had the legal authority to set up the court to try members of the regime it defeated and replaced. Lawyers for the 70 defendants had argued the court lacked jurisdiction and that the defendants should be tried by an international tribunal. Twenty-four of the 70 defendants are being tried in absentia, including former President Mengistu Haile Mariam, who is in exile in Zimbabwe. All face the death penalty if convicted on genocide or murder charges stemming from the deaths of 1,823 people. *AP*

Kim Jong-Il still to take up key posts

Tokyo — North Korea's unanointed leader Kim Jong-Il made a rare public appearance at a military parade yesterday to celebrate the 50th anniversary of the Communist state's ruling party. Official media and the country's defence minister hailed Kim Jong-Il as the leader of the country's Communist Party, the state and the army, but there was no formal announcement that he had assumed any of the key leadership posts. *Reuters*

Three Mohajir rebels die in shootout

Karachi — Pakistani police said that three detained militants of the Mohajir National Movement (MQM) were killed in a shootout. Fahim Farooqi, alias Fahim Commando, a well-known militant leader, and two other MQM detainees died in a hail of gunfire after police had taken them to a house they had identified as an MQM hideout during interrogation. *Reuters*

Hero general takes to the hills

Manila — A former much decorated Philippine army general charged with corruption has announced his defection to Communist rebels and urged other soldiers to join him in the mountains and overthrow the government. Raymundo Jarque, a former regional commander who won 30 medals for his exploits against rebels, said in a published statement he was switching loyalties because he could not expect justice from a system rotten to its core. "The only way to justice is revolution... to the mountains and revolution!" he said. *Reuters*

UK ready to encourage Sri Lanka talks

London — Britain is ready to facilitate talks between the Sri Lanka government and Tamil Tiger rebels, who are on the brink of a new round of fighting in their 12-year civil war, writes Michael Sheridan. The Foreign Office minister Jeremy Hanley said on a visit to Colombo that the British government would help arrange a meeting if both sides wanted to negotiate. In London, the Foreign Office said Britain did not want to mediate between the parties but was ready "to encourage them to come together," perhaps at a location in the UK.

Pro-Algeria Chirac defies Islamic militants

Paris — Defiant in the face of threats from Islamic militants trying to overthrow the Algerian government, President Jacques Chirac confirmed he will meet with Algeria's president later this month. And in a new display of resolve to keep Muslim radicals from paralysing relations between France and its former colony, the French government announced it would resume ferry services between Marseilles and Algiers. *AP*

Observers at risk in Chechen fighting

London — International observers may be forced to pull out of the breakaway Russian republic of Chechnya after getting caught up in fighting between Russian troops and rebels, writes Michael Sheridan. A representative of the Organisation for Security and Co-Operation in Europe is to go to Chechnya to assess the security of the OSCE delegation. Its presence in the war zone was an important concession from Russia to ward off action by Western countries in response to its military campaign.

حکومت الایمیل

FBI puzzles over 'Gestapo' train wreckers

RUPERT CORNWELL
Washington

Beyond doubt, it was sabotage. But one question yesterday preoccupied the US authorities, from the FBI up to President Bill Clinton: just who are the "Sons of Gestapo", apparently responsible for Monday's fatal train derailment in the Arizona desert.

Speaking to business leaders at the White House, Mr Clinton declared his "profound outrage" at an "act of cowardice" which left one crew member of Amtrak's transcontinental Sunset Limited train dead and 80 people injured. But, his aides insisted, the President had not decided the attack was an act of terrorism. "That is a conclusion for law enforcement agencies to reach," said the White House spokesman, Mike McCurry.

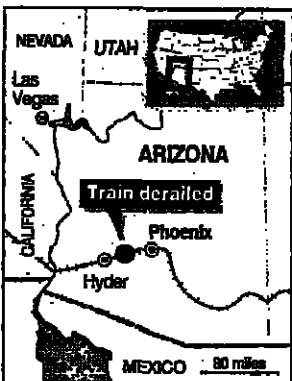
As the FBI took over, two theories predominated. The most popular was that, as suggested by the references to Waco and Ruby Ridge in the two notes left near the wreck by the "Sons of Gestapo", the derailment followed the pattern of

April's bombing of the Federal building in Oklahoma City — an act of revenge for the two attacks by government agents on isolationist movements.

The second theory owed less to the notes than to the nature of the sabotage, which showed at least a rudimentary knowledge of railways. Hence, this view goes, the culprit could have been a disgruntled former employee of Amtrak, the government-subsidised company operating the Sunset Limited and other long-distance passenger services.

Yesterday Klanwatch, an organisation that tracks hate groups, said it had no record of the "Sons of Gestapo". But, Klanwatch's director, Joe Roy, noted: "It's not unusual for a call of a larger group to take an alias when it branches out. Or it could have been a solo individual with a grudge, trying to blame it on the militias."

The FBI is pursuing both possibilities, delving anew into the shady world of the citizens' militias — the bulk of them harmless, but a few composed of hard-core extremists bent on



the destruction of the federal state.

On one point, however, he and specialists are agreed: Arizona, with its anarchic Wild West past, its proven connections with the militias and frequent appearances in the tale of Timothy McVeigh, who is the chief suspect in the Oklahoma City blast, is a natural breeding ground for such incidents.

Inevitably, new questions are being raised about Amtrak's safety — just as the railway is fighting to stave off further cuts in its funding by the Republican Congress.

Amtrak has suffered a number of accidents in the last few years, most lethally in 1993 when the Sunset Limited, this time heading east, plunged off a bridge into an Alabama lake, drowning 47 people.

Amtrak says that without resources for investment, its network will perform grow more obsolete and less competitive. But Amtrak's chairman, Thomas Downs, insisted yesterday that the system was "100 per cent safe", and denied that the perpetrator was an embittered ex-employee.

"About 300,000 people" in the US knew enough about railways to have removed spikes fastening the rails to the sleepers, unbolted a plate between two sections of rail and then rewired the signal which would have warned of a gap in the track.

America's very size means that rail tracks can never be fully protected. The Sunset Limited's route covers 3,066 miles, the western third of them mostly empty desert. And one person could have sabotaged the track in 10 minutes, a railroad official said.



Rail rescue: Paramedics from the Arizona National Guard carry off an injured passenger from the Amtrak wreck

CLEVELAND DAYS

Joke city of the rust belt reborn in steel and glass

What is North America's "in" city these days? Vancouver or Seattle on the West Coast, you might imagine, or a booming metropolis of the South such as Atlanta or Albuquerque. Not a bit of it. If there is one place on the planet that is on a roll, it is this erstwhile rust-belt basket case on the gloomy shores of Lake Erie.

Not so long ago, Cleveland, alongside its hapless baseball team, the Indians, was a joke, a "Mistake by the Lake" held up with Detroit as a case study in terminal urban dysfunction. So polluted was the Cuyahoga river, which bisects the city, that in June 1969 it actually caught fire. Cleveland's leaders were a parody of incompetence and provincialism. One former mayor, Ralph Perk, at a ceremony designed to show his solidarity with the working man, managed to set his own hair alight with a blowtorch. Mrs Perk earned her niche in old Cleveland's Hall of Infamy by turning down an invitation to dinner at the White House because it was her night at the bowling club. Finally, Mayor Dennis Kucinich brought about the first financial default of a major US city in modern times. All fodder for the funnymen: "What's the difference between Cleveland and the Titanic? Cleveland has a better orchestra."

You don't hear that sort of thing any more. Cleveland is a city reborn. The centre is a steel, marble, and darkened glass showcase of modern US architecture. The Indians have left the sporting mortgage of Municipal Stadium for a glittering \$200m (£130m) arena called Jacob's Field, and are four wins from their first World Series since 1954. Finally, there is the Rock 'n' Roll Hall of Fame, a dazzling white tower and superstructure fused with a glass pyramid, leaning out over the lake. For its rumbustious subject, the airy building may be too reverential, too antiseptic. But it's class, and class is the name of the game in Cleveland.

"By the end of the 1970s we were a city in freefall," Tom Bier, an urban policy specialist at Cleveland State University, told me. "No one could have predicted this; it's far beyond anything I thought possible."

"This" is a tale of enlightened self-interest, linking local non-profit foundations, big business and a new generation of municipal leaders. At some point around 1980, Cleveland's great and good decided they

would not join the national stampede to suburbia. The start was the conversion of the old Baltimore and Ohio rail terminal into a prototype big city office, shopping and restaurant complex. The apotheosis was the debut of the Rock Hall of Fame last month. For Rabbi Ben Kamin, spiritual leader of the Temple Tifereth Israel here, more than human agency was involved. "One couldn't help but wonder if God had a hand in this whole epiphany," he wrote in Cleveland's *Plain Dealer*.

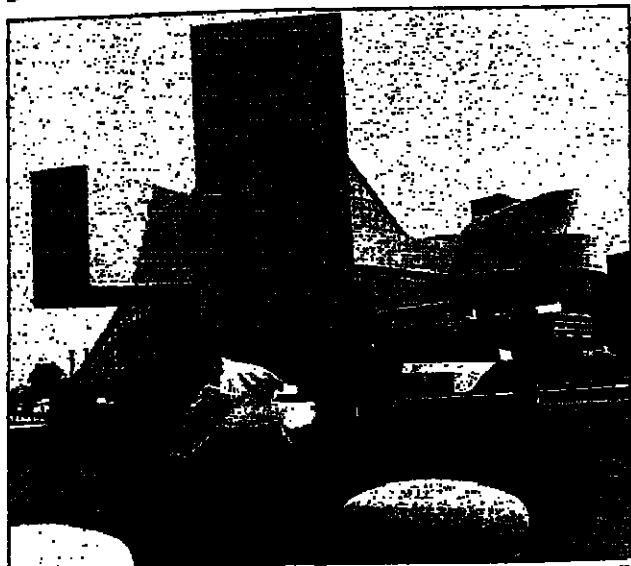
Cleveland is not perfect. You can argue that renewal is for the benefit of the suburbs — that, as Mildred Madison, former city council and school board member, put it, "They're doling out tax breaks for the downtown, while the public school system is rotting."

It is true, too, that a "sin tax" on cigarettes and alcohol to pay for the new baseball stadium, rejected by poorer inner city residents, passed thanks to voters in the suburbs. The same may happen over the renovation of Municipal Stadium, where the footballing Browns still play. "Cough up, or we're outta here," might be summed up as the attitude of the Browns' owners. Middle-class suburban America hates nothing so much as losing a major league sports franchise.

But, you sense, good things are slowly starting to spread to where they are really needed. Drive three miles east of downtown into the Hough neighbourhood, scene of Cleveland's ghetto riots of the Sixties, and a remarkable sight awaits. Houses — decent, freestanding and new — are being built in an American inner city. Not many yet, to be sure, and only with the help of tax breaks and federal incentives. But people are moving in, not out. Amazingly, house sales and house prices are now rising faster in Cleveland proper than in the suburbs.

Will it work? Can Cleveland, in this racially poisoned post-Ole era, pull off what no American city has thus far managed? "What we really want," Mr Bier told me, "is a mix of incomes and a mix of races. We're not there yet, but we're heading in that direction." Forget the Indians and their gorgeous ballpark, forget the Rock 'n' Roll Hall of Fame and the other downtown splendours by the lake. To dream a little dream in Cleveland, go to Hough.

RUPERT CORNWELL



On a roll: Designed by I M Pei, Cleveland's Rock 'n' Roll Hall of Fame adds some class to North Coast Harbour

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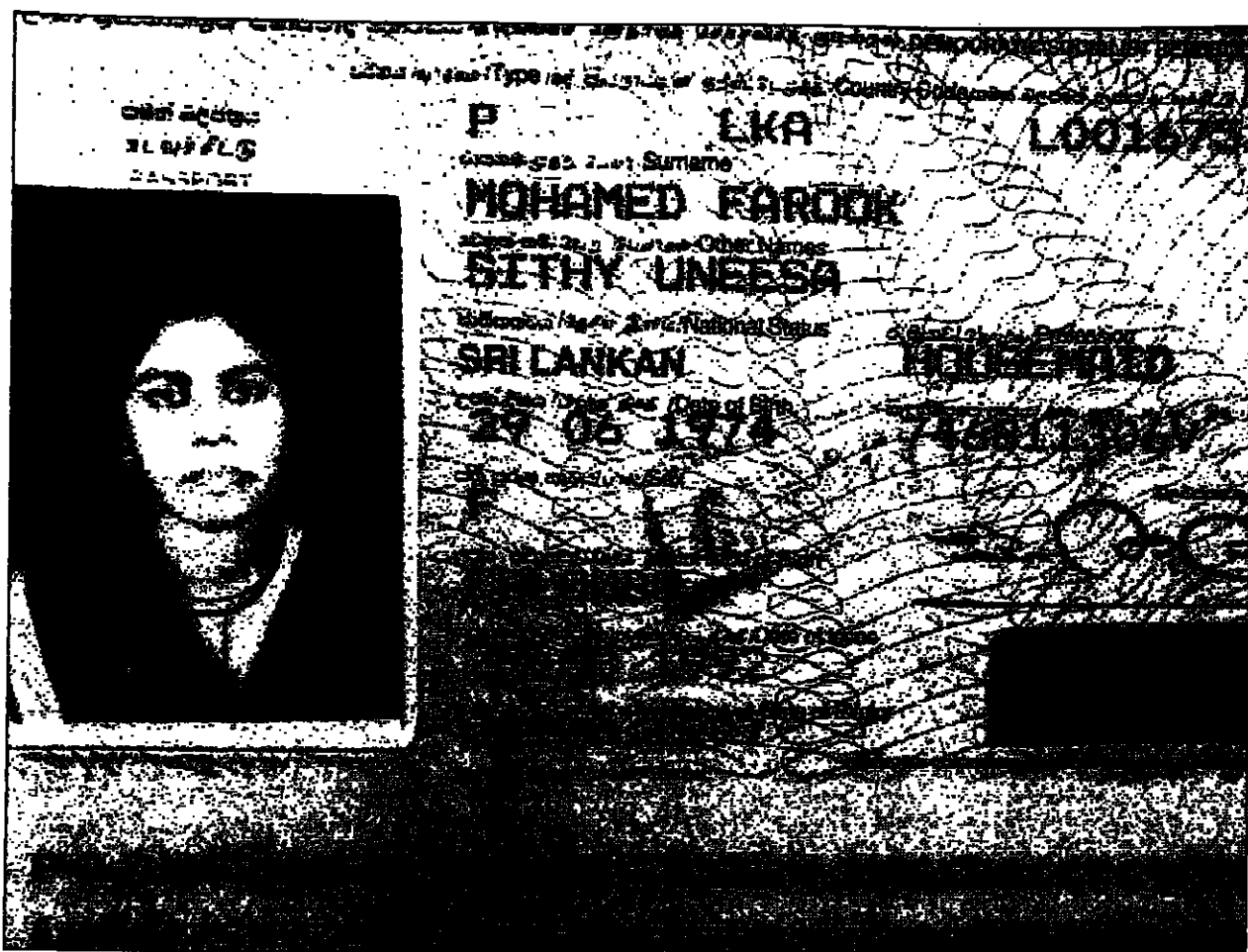
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international



Executed: Passport photograph of the overworked maid. The victim's father insisted she die Photograph: Reuters

No mercy for young maid who begged to go home

Said Saleh Mansour turned up every day to attend the trial in the United Arab Emirates of the 19-year-old accused of killing his four-year-old daughter.

Again and again, he urged the court to expedite her execution. Asked to pardon the Sri Lankan maid, the father — a senior officer in the Ras al-Khaima police department — replied uncompromisingly. "Sir," he wrote, "how can I pardon a person who has brutally killed my innocent daughter who was only four years of age?" The letter sealed the fate of Sithy Farook. In April, she was taken from her prison cell to stand in a white abaya gown, crying uncontrollably, before a seven-man firing squad.

Her father, Mohamed Nilan, a labourer attached to the city council in Colombo, capital of Sri Lanka, heard that the second of his five daughters had been executed after an Islamic trial only when neighbours



Robert Fisk, Middle East Correspondent, in his third report on Islamic executions of women, describes the tragic fate of Sithy Farook in the UAE.

received a telephone call from one of her friends.

"Our daughter was so unhappy with her employers that she wrote home many times saying she wanted to return to Sri Lanka," she told one of the local Colombo newspapers 12 days after her daughter's execution. "But we asked her to stay and complete her contract — now look at the fate that befell her."

Appeals by the Sri Lankan government, its embassy in Abu Dhabi — the capital of the United Arab Emirates — and even from the president of the Ras al-Khaima court, refused to soften Said Mansour's anger.

Sithy Farook had stabbed her daughter to death on 17 October, 1984, and she must pay the price. In his eyes, and in those of the court, there were no extenuating circumstances; no one mentioned Sithy's pleading letters to her father, even if they knew about them. No one suggested — as Sithy told friends in the prison — that she had confessed to the crime only because Said Mansour had promised she would be sent home to Sri Lanka if she did.

Sithy Farook's story is tragically mundane, a pathetic tale of a former Colombo garment worker who was sent out to the emirates as a maid to earn enough money to buy her parents a new home in Sri Lanka, only to find herself overwhelmed by the work she was given and the six children she was expected to look after. Her employer had invited relatives to live in his home, she wrote, ordering Sithy to look after all of them — a total of 17 children, some of them babies, and one of them a handicapped girl.

After her execution, Sri Lanka's newspapers — though very definitely not the emirates' press — asked what had driven Sithy Farook to kill the four-year-old girl. In court, she readily admitted to the murder, as she did to Sri Lankan embassy officials. A report by the Sri Lankan foreign ministry later recorded that Sithy "without any hesitation or fear... admitted she committed the offence... she remembers the child biting her arm and she, having lost her temper, stabbing her with a pen-knife — the nail-cutting which was in her hands at that moment."

According to the Ras al-Khaima court records, Sithy stabbed the little girl with a "sharp steel key" after failing to resuscitate her when she had a fit. The records state that the maid then wrapped the child's body in a piece of cloth, placed it in a box and buried it beneath a neighbouring house.

In the weeks immediately

before the killing, Sithy had addressed several more letters to her parents, pleading to be allowed to go home; adding that her employer was not passing on letters from her family. Her father gave his permission for her to come home but, so he said later, Sithy decided to carry on working for another two years.

When he heard of his daughter's death sentence, he met Sri Lanka's government leaders and personally appealed for his daughter's life to the President of the United Arab Emirates, Sheikh Zayed bin Sultan al-Nahyan. The Sri Lankan chargé d'affaires in Abu Dhabi discussed Sithy's case with the emirates' ministry of foreign affairs. Repeated offers were made to the dead child's family of "blood money" which would allow Sithy to be spared. But, according to the Sri Lankan authorities, the little girl's father, Said Mansour, still insisted upon Sithy's execution and would not accept any offer of money. Given the rules of Islamic law in such circumstances, the emirates' authorities concluded, the maid would have to be put to death.

Her father originally asked for the return of Sithy's remains to Sri Lanka. But he could not afford the cost of shipping her body home and reluctantly accepted that she should be buried in an unknown grave in Ras al-Khaima. Sithy was a Muslim, and this would mean that she would be buried closer to the holy city of Mecca.

When the *Independent* questioned the Sri Lankan ambassador to Abu Dhabi about Sithy's death last week, he said he had no details since he had only taken up his post a month earlier. The labour officer at the embassy would say only that Sithy was 20 years old when she was executed; she was in fact 19. When I asked if I could meet the Sri Lankan official who handled Sithy's file, I was told that he was "quite ill at the moment". More than a month after Sithy's death, the Sri Lanka civil rights movement expressed its "shock and distress" that the most strenuous efforts to save her life had not been taken. Her execution was recorded in the local emirates' press in a single paragraph on an inside page.

Mexico plays down quake as toll reaches 66

PHIL DAVISON
Latin America Correspondent

President Ernesto Zedillo yesterday declared one of Mexico's prime tourist playgrounds a disaster area after at least 66 people, and possibly many more, were killed in Mexico's worst earthquake since 1985. But he went ahead with his first state visit to Washington, where he was greeted at the White House by President Bill Clinton yesterday morning.

The government sought to play down the extent of Monday's quake in resorts along the Pacific coast, but it could be a crippling blow to tourism at a time when the struggling economy badly needs the income.

The government sent troops to help with rescue work after Monday's tremor, measured at 7.6 on the Richter scale.

Worst hit was the resort of Mazatlan, 325 miles west of Mexico City. The seven-storey Costa Real hotel collapsed completely, trapping 30 guests and 27 employees as guests took breakfast just after 9.30am.

Reuters reported that a 21-year-old honeymooner, Carlos Jimenez, sat with his head in his hands waiting for rescuers to bring out his bride. He had seen her buried under a huge pillar, apparently dead.

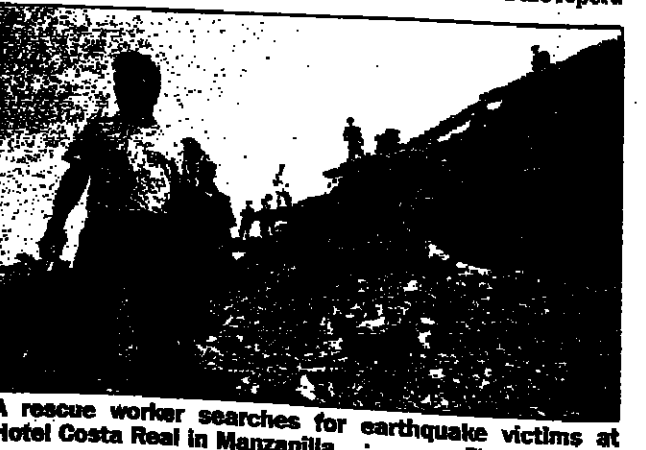
Seven police officers were killed when a police station collapsed near Mazatlan. Hotels were also damaged in another resort, Puerto Vallarta, but none collapsed.

Mr Zedillo, under fire for his handling of the economic crisis, the unprovoked murder of two top politicians and a cardinal, and alleged government links with drug traffickers, was immediately criticised for going ahead with his Washington trip.

Possibly thinking of future tourist trade, he described the disaster as "not of unmanageable magnitude". That reminded Mexicans of the words of President Miguel de la Madrid in September 1985, after at least 6,000 people, and possibly up to 10,000, were killed in an earthquake registering 8.1 on the Richter scale. He declared that Mexico did not need outside help. He later had to retract that statement.

After being greeted by Mr Clinton on the South Lawn, Mr Zedillo said they would discuss illegal immigration, Mexico's economy and drug trafficking. More than 70 per cent of the cocaine consumed in the US comes through Mexico, mostly from Colombia. Asian gangs use Mexico as a transit point for heroin and it is also a major source of marijuana.

A Colombian news report at the weekend said Mr Zedillo's election campaign last year had been partly financed by Colombia's Cali cocaine cartel. Adding that Mr Zedillo was probably unaware of such funding, the report said the information had come from a cartel informant in detention in the US. Mr Zedillo's government and the US Drug Enforcement Administration denied the report.



A rescue worker searches for earthquake victims at Hotel Costa Real in Mazatlan

Photograph: AP

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international

Burning down of Maori church ignites race fears

PETER WALKER

It is a sign of the changed temper in New Zealand that the sight of flames leaping from an old wooden church in the middle of the night now arouses suspicion of racially-inspired arson.

The destruction of the Rangiatea Anglican church last weekend in the town of Otaki 40 miles north of Wellington would, in any case, have come as a blow to the country.

Rangiatea was built by one of the greatest figures in New Zealand history, the chief Te Rauparaha, who conquered much of the country at roughly the same time Europeans were settling. Although he probably never converted to Christianity, his church became a symbol of rare cross-pollination between the races, European and Maori.

Dozens of trees were hauled down to the coast by Maori, while European or *pakeha* sailors and whalers raised the roof beams.

The work was overseen by a

young English missionary, Octavius Hadfield, also remembered for taking a group of Maori chiefs back to Oxford in the 1830s and there compiling the first Maori lexicon.

From the outside, the church was an example of the best early colonial architecture; inside, the atmosphere was overwhelmingly Maori, with great wooden pillars and *tekoteko* panels of decorative woven flax covering the walls.

The possibility that Rangiatea - the name means the "Abode of the Absolute" and derives from a sacred island west of Tahiti - was deliberately burned down adds an ominous dimension to the racial divisions that have emerged in New Zealand since the 1980s.

In the past two years there have been a series of tit-for-tat attacks, always at night, on various symbols of the rival races - a colonial statue here, a Maori community meeting house there.

Last month a group of Maoris in Northland burned

down a school building in a dispute over land occupation. Before last weekend's fire, graffiti had been sprayed on the statue of Te Rauparaha and elsewhere in the churchyard.

Some in the local Maori community had no doubt yesterday about the cause and culprit behind the fire. "White power," they said.

There is in fact no such group or body - but the phrase represents something real in New Zealand: an increasing anger among many whites at the new Maori assertiveness and demands for reparation for stolen or confiscated land.

Te Rauparaha - who is also famous for composing the words of the *haka* that the All Blacks perform before rugby test matches - spent most of his life at war, before turning to the arts of peace in his last years.

For nearly a century and a half his handiwork was a symbol of concord. That it has now gone - either by accident or design - does not bode well for New Zealand.



Conflagration: Fire-fighters damp down the remains of Otaki's 146-year-old Rangiatea church. Arson is suspected

Photograph: Reuters

West's fears deepen over spread of missiles

CHRISTOPHER BELLAMY
Defence Correspondent

The spread of nuclear, biological and chemical weapons and ballistic missiles to carry them is "one of the world's greatest concerns," the London-based International Institute for Strategic Studies (IISS) said in its latest edition of its annual survey of world military power, published yesterday.

However, the institute's director, John Chipman, warned against those who portrayed Islam as a new and coherent threat to fill a vacuum left by the collapse of Communism. "Not all these challenges can be met by the astute deployment of military force. I don't think it's right to talk about Islam as an organised threat against the West," Dr Chipman said.

He also identified China and North Korea as the only countries in east Asia spending more on defence than was justified by their legitimate needs. The IISS describes China's behaviour as "reticent" and accuses it of "disinformation" in accounting.

At present, no missiles owned by states other than the official nuclear club - the United States, Russia, China, Britain and France - can reach Europe or North America, but the IISS confirmed predictions that the situation could change in the next few years. North Korea is developing a missile that can reach US territory, and missiles launched from North Africa and the Middle East are expected to be able to hit Britain in less than a decade.

The latest issue of *The Military Balance* covers missile proliferation, Chinese military spending and peace-keeping.

"It is somewhat bizarre that the end of the Cold War has heightened perceptions of the missile threat," the survey says. Eleven countries apart from the United States and former Soviet states have surface-to-surface missiles, casting doubt on the effectiveness of the Missile Technology Control Regime

(MTCR), signed by 25 countries. Key missile suppliers - including China - appear not to have complied fully with the MTCR guidelines.

The only alternative is, of course, active defence measures. *The Military Balance* says: "These would range from anti-missile such as the Patriots used in the 1991 Gulf war to more sophisticated measures as envisaged in the Eighties Star Wars initiative. The US is developing ballistic missile defences - first, to protect its own forces and regional allies and, second, to counter future attacks on the US itself."

According to the journal *Aviation Week and Space Technology*, so many missile defence studies are under way that Pentagon officials are fearful it will not be possible to evaluate them all.

For the moment, conventional aircraft are more likely to cause serious damage than missiles, the IISS says, because they can carry more explosive or chemical or biological agents, and can hit more accurately. But the ballistic missile, "mainly on account of its range, speed and cost relative to that of a manned aircraft, is a favoured delivery means for proliferating states".

Missile proliferation threatens three areas: the Middle East, where even relatively short range missiles can strike other states' capitals, the Indian subcontinent, and North Korea's neighbours.

The longest-range and most formidable missile in the Middle East is the Chinese-made CSS-2, deployed by Saudi Arabia. With a range of nearly 1,700 miles and a two-and-a-half ton warhead, it outranges Israel's Jericho-2, which can fly 940 miles, and carries five times as much high explosive, chemical or biological agent.

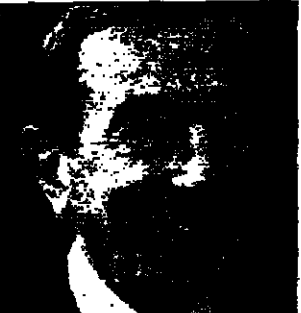
North Korea's Scud-C missile, with a range of more than 300 miles, can hit anywhere in South Korea, and the Taepo Dong missile, range 1,500 miles, now under development, could hit the US territory of Guam.

China quadruples defence budget

China has been lying to the UN about its defence spending, according to the International Institute for Strategic Studies, writes Christopher Bellamy.

The Chinese do not report their defence spending to the United Nations in the standardised format. The United States Defense Secretary, William Perry, asked Peking last year to "improve the transparency of their military accounting." The IISS estimated Chinese military spending in 1994 was \$17.5bn - 10 times the official figure.

Calculating the defence spending of Communist regimes has always been difficult. The IISS's *Military Balance* features detailed analyses of that of Russia and China. The latter is complicated by the fact that the People's Liberation Army not only manages armed forces of 2.5 million, making exact accounting impossible, but also



William Perry: Asked Peking to give true military facts

has 25,000 industrial enterprises, distinct from the defence industries, with a civilian workforce of up to 3.5 million. Since 1979 China has shifted from the doctrine of "People's war" - a guerrilla war on Chinese territory - to "local war" - a major regional conflict. Although the IISS considers the remote, China has focused rapid reaction forces and given top priority to modernising its equipment.

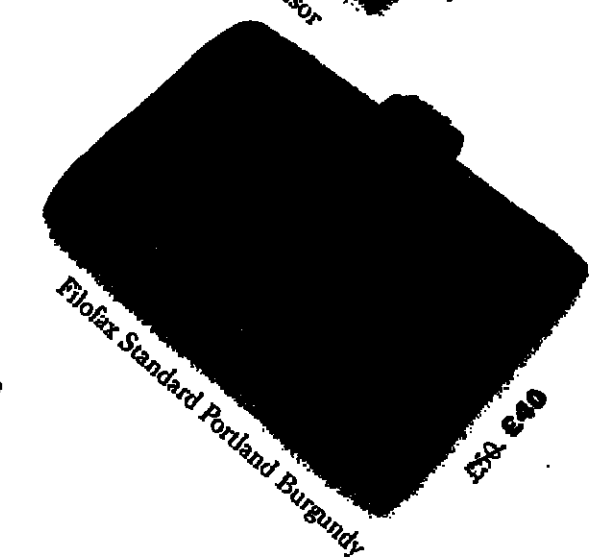
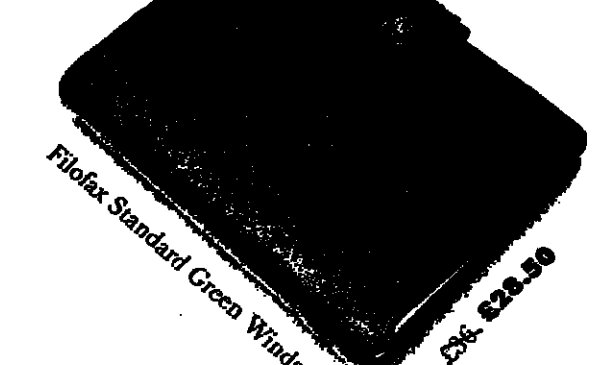
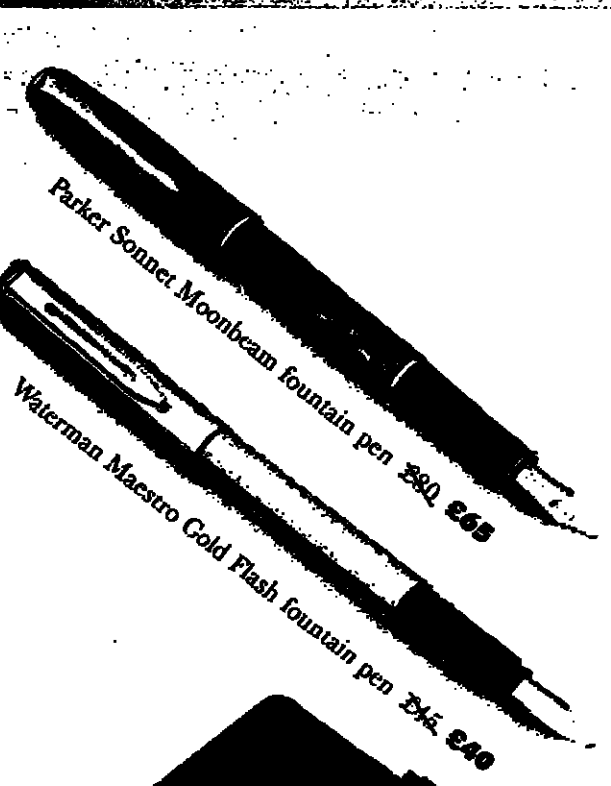
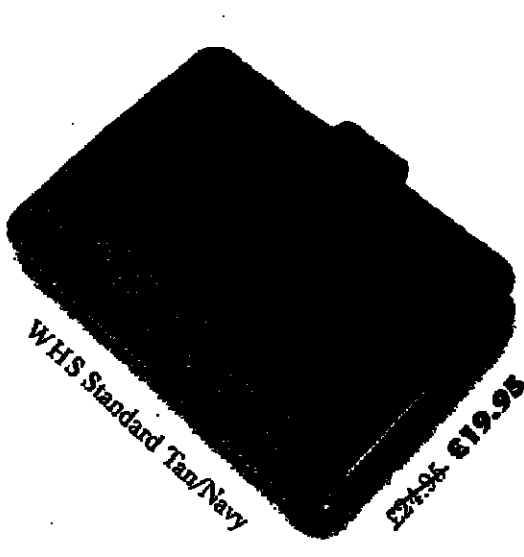
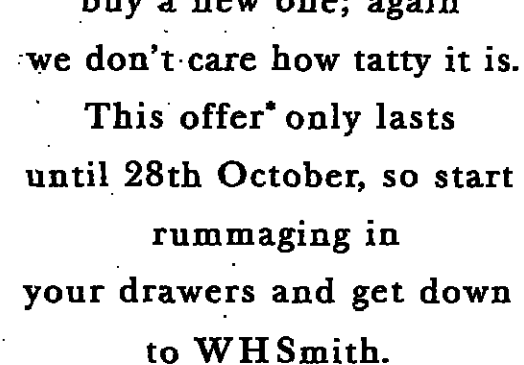
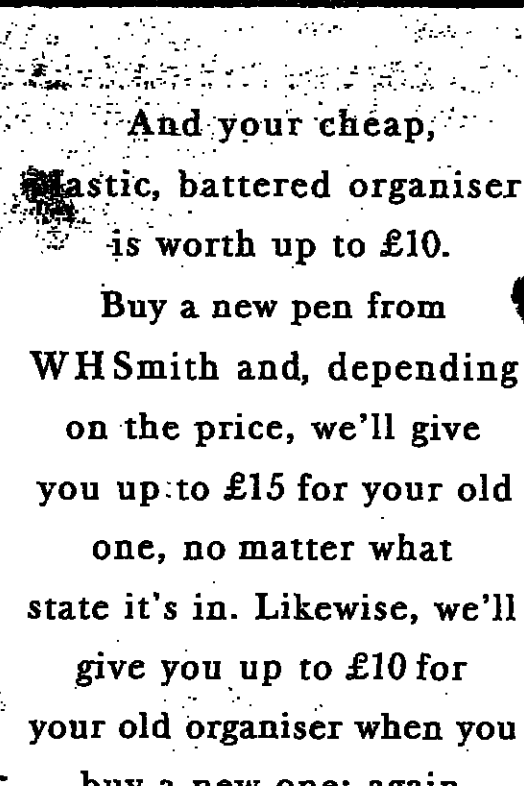
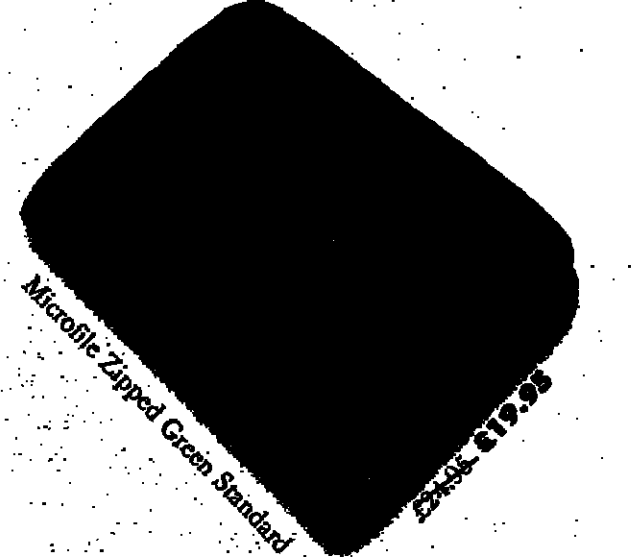
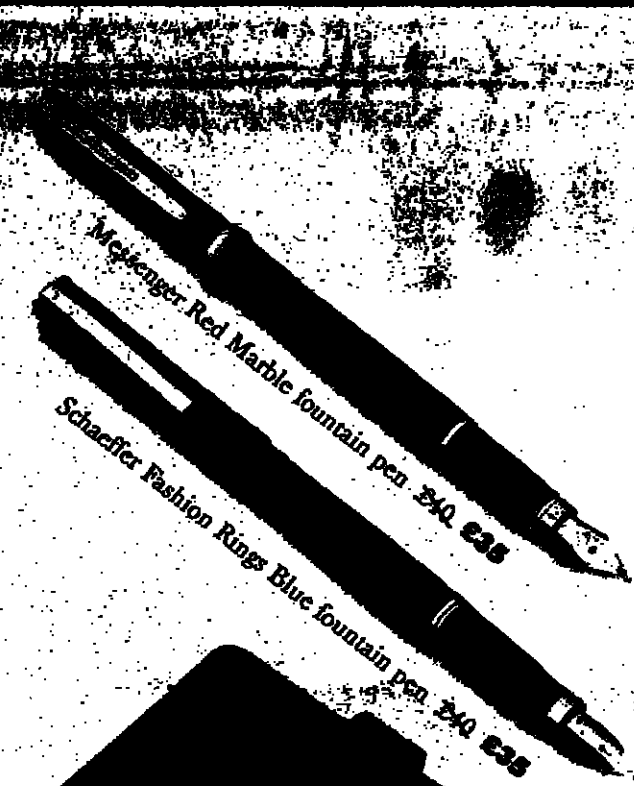


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Nevertheless the ruling princes did not bend far enough

seemed to put an end to Kukrit's political and jour-

Like Sarichian, Thailand was enormously affected by the neighbouring wars in Vietnam. Not only did Thailand see a massive influx of American as well as Chinese Communist¹ troops during the 1960s 'to prevent it from going Communist', it also had to cope with the presence of large numbers of Americans who established seven air force bases in Thailand as well as using Bangkok as the main recreation centre for their troops fighting in Vietnam. Despite the negative aspects of this physical and cultural invasion, it began to transform political attitudes as well, especially amongst the younger generation: in 1973 a spontaneous popular uprising to everybody's surprise and after much blood-

It was a task he took on with relish as if he had been waiting for it all his life. But this was 1975, when the Communists gained control of neighbouring Cambodia followed by Vietnam and Laos in quick succession, leading to fears that Thailand might soon succumb. In the tradition of Thai diplomacy, Kulrit presided over a major readjustment in the country's foreign policy, first by appeasing China and establishing diplomatic relations during the course of a

forced his resignation and new elections. His brother Seni was briefly brought back to premiership; but once more the military intervened.

Short as his spell as prime minister was, and he was never to return to power again, Kukrit Pramoj came to be regarded as Thailand's elder statesman. He had, after all, negotiated with Mao and dared to argue with Henry Kissinger. What is more, even after the return to power of the military, he

His knowledge of flowers prompted him on another occasion to describe one of his less robust successors in the premiership as a "pressed pansy" which, given his own sexual tendencies, about which he made no secret after divorcing his wife, was interpreted not so much as malice but as a matter of fact. It was typical, too, of the man Thais have come to love and hate as the most colourful and outspoken politician and journalist of their past few decades.

Judy Stowe
Kukrit Pramoj, politician: born 20 April 1911; prime minister of Thailand 1975-76; died Bangkok 9 October 1995.



Sir Frederick Delve

He was born in 1908 at Walton on the Hill, Surrey, the youngest son of H.M. Richards, then medical officer of health for Croydon, but moved to Cardiff and then to London. At the age of eight Paul Richards was already collecting plants. He was put in touch with G.C. Druce, who encouraged him

His early dedication to the study of plants in the field was maintained throughout his life. On starting work for his PhD he was persuaded to use cherry laurel, then a favourite plant of Cambridge plant physiologists, in physiological experiments. But he soon realised that laboratory experimentation was not for him and his thesis was on the ecology of tropical rain forest, work which he had already started while still an undergraduate.

In 1929 he was a member of an expedition to Moraballi Creek in Guiana, a major research effort staffed otherwise by experienced workers. On this he developed a technique of forest description, the 'for-

He was an active member of the British Ecological Society, (serving as President from 1962 to 1963, as Editor of the *Journal of Ecology* 1958-63 and one of the instigators of the *Biological Flora of the British Isles*) and of the British Bryological Society, holding the office of President in 1978-79. He travelled widely, holding many visiting ap-

Peter Grieg-Smith
Paul Westmacott Richards, botanist; born Walton on the Hill, Surrey 19 December 1908; Fellow, Trinity College, Cambridge 1933; Professor of Botany, University College of North Wales 1949-76 (Emeritus); member, Nature Conservancy 1954-67; member, National Parks Commission 1955-59; Chairman, Nature Conservancy Committee for Wales 1956-67; President, British Ecological Society 1962-63; Editor, Journal of Ecology 1958-63; President, British Bryological Society 1978-79; CBE 1974; Linnean Medal 1979; married 1935 Sarah Ann Hotham (one son, three daughters); died Cambridge 4 October 1995.



Delve (centre) with Viscount Mont

Secretary of Defense, reviewing the L

London Fire Brigade in 1959

He was the first Chief Officer of the LFB to be knighted in office and, on his retirement in 1962, joined the board of Sturcior. He never ceased to grieve for his wife, who died after 56 years of happy marriage.

Sally Holloway
Frederick William Delve, fire officer, born 28 October 1906; Chief Officer, Croydon Fire Brigade 1934-41; Deputy Inspector in Chief, National Fire Service 1941-43; CBE 1944; Chief Officer, London Fire Brigade 1948-62; Ki 1962; married 1924 Ethel Morden (died 1980); died 2 October 1985

Anniversaries

Births: Arthur Phillip, admiral and first governor of New South Wales, 1758; James Barry, historical painter, 1741; Heinrich Wilhelm Matthäus Olbers, astronomer, 1758; Sir George Williams, merchant and founder of the YMCA, 1821; Henry John Heinz, food-products magnate, 1844; Sir John Bernard Partridge, artist and cartoonist, 1861; Lewis Fry Richardson, physicist and psychologist, 1881.

Receptions

Wills
John Middleton, Lord Campbell of Eskan, of Nettlebed, Oxfordshire, Chairman of Booker McConnell 1952-66, and a director of London Weekend Television 1967-74, left estate valued at £421,176 net.

Mr Lionel Alexander Bethune Pilkington, of London SW1, former chairman of Pilkington Glass, left estate valued at £1,869,877 net.

Mr Benjamin Arthur Fleming, of Brighton, East Sussex, Robert Fleming, the actor, left estate valued at £308,538 net. He left his silver inkwell to Devville Hall, Northwood, Middlesex, for use in the library.

Mrs Margaret Anne Borges, of Colchester, Essex, left estate valued at £4,457,012 net.

Announcements for Gazette BIRTHS, MARRIAGES & DEATHS (Births, Adoptions, Marriages, Deaths, Memorial services, Wedding anniversaries, In Memoriam) should be sent in writing to the Gazette Editor, The Independent, 1 Canada Square, Canary Wharf, London E14 5DL, telephoned to 0171-293 2011 (24-hour answering machine 0171-293 2012) or faxed to 0171-293 2010, and are charged at 26.50 a line (VAT extra).

The second applicant came from Spain to the UK in February 1993. He lived with an un-

Roger Henderson QC said that the preliminary point was whether the council had any proper function in making decisions about the applicants' rights to reside in the UK. The

right to be here was owed no duty by a local housing authority under Part III of the Act. Applying that rationale, no duty was owed to a person who had no right to reside and in respect of


The council had the power and the duty to decide what the applicants' rights, if any, were in respect of residence. The decision in each case was lawful.

Why A

Part V

Harry

MEMBER



So tax cuts can be paid for from savings in public spending? Think again, says **Nicholas Timmins** – the options are seriously limited

unexpected economic slowdown has forced up public borrowing. The effect is to leave the Government much further from its objective of balancing the books by the end of the Nineties. It also impedes the objective of bringing the deficit as a percentage of national output down to 3 per cent by 1997, a condition for eligibility to participate in European monetary union. Disappointing though it may be to the predominantly Euro-sceptical delegates at the conference, the Government wants to keep its options open on EMU.

Against this background, there can be little doubt about the mood music Mr Clarke would seek to strike if his audience this week were sober-suited City bankers at the Mansion House. In between the quaffing and guzzling, there would be much solemn intoning about the need to abide by the sacred principles of sound finance. But Mr Clarke's audience is the *Tory faithful*, who will want a much more upbeat tune about tax cuts.

There is only one way to square the circle: spending cuts. The trouble is that this is much easier to promise than it is to deliver. Mr Clarke talks tough on spending, but in practice he has found it just as difficult to deliver real expenditure cuts as his predecessors.

In his November 1993 Budget, for example, the Chancellor said he was going to cut the "control total" – the key spending figure targeted by ministers – by 1.25 per cent in real terms. That was the plan; the reality was that by the time all the bills had come in it turned out to have risen by as much.

Even before the current drive for new spending cuts, the Treasury's plan to limit growth in the control total next year to less than 0.5 per cent was extraordinarily tight. This would be ambitious for a normal year: on average, public spending has grown by just under 2 per cent over the past 15 years. But this Budget is for a pre-election or maybe even an election year, when largesse with the public purse has historically been the order of the day. In 1992-93, for example, the control total rose by almost 5 per cent in real terms.

With so little room for manoeuvre, what we may therefore expect is a piece of vintage Treasury legend: "Tax cuts are coming and will be justified by notional spending cuts. The most likely rabbit Mr Clarke will pull out of the hat will be a cut in the contingency reserve – money held back for unbudgeted spending – which will then be allocated to tax cuts. Whether the magic will last is quite another matter. But then it is quite possible that it will be another chancellor who will have to pick up the bill if the spending cuts turn out to be strictly presentational rather than for real."

RORY BREMNER



its climax with John Major's speech. The conference seems years away. Alan take the fast train from Conservative at the Liberal Democrats must make about the significance of his party. As in pomposity all the while, the Liberal come the message that it's not good



Stuck in the middle with you

Trident. The conclusion must be that Robin Cook believes the party is so close to power that what is required at this stage is a futile gesture.

which, at a risk of repeating myself, available at 11.45 tonight on Channel Four - was impressive, though the style of his delivery was bizarre. However, I couldn't help feeling that John Prescott's triumphal battle-cry "Move aside - we're on our way!"

brought back uncomfortable memories of Neil Kinnock's "we're all-RIGHT!" in Sheffield in 1992. I suppose in some ways they are all Right now, but I'm not sure that's what he had in mind.

While Labour's conference backdrop had changed to a sort of Tory grey (white-with-a-hint-of-capitalism) from last year's strange green (Karl de Nill?), a few activists still managed to infiltrate *Newsnight's*

Howarth: Loves Labour's Gained

alternatively, "Sigh no more, Ladies, sigh no more. Men were deceivers ever; one foot in sea, and one on shore, to one thing constant never" (Act 2). No prizes for guessing which view the party chairman will be favouring this week.

Dr Malwhinney's comments ("Mr Heseltine's reasoning was not only profoundly wrong but bizarre") might equally be applied to the reaction of Michael Heseltine, the Deputy Prime Minister, First Secretary of State and MP for Henley-les-deux-Eglises, who said that Howarth was "out of touch with what the public wants". If he really believes that, the already impressive space between Mr Heseltine's new desk and the world must be even bigger than we thought.

As even John Redwood, MP for Po and Kettleblack, attacks Howard's disloyalty, and others of the Tory faithful say the result will be an enormous wave of sympathy for Mr Major - a phenomenon which, it must be said, has a knack of winning him elections - I fear that we're about to see the Conservatives revert to their less attractive conference mode: swivel-eyed ministers appealing to the xenophobic and the vindictive in another episode of "It'll Be Far Right On the Night". I hope not, I really hope not.

PS. I've just watched Portillo's speech. To quote his beloved Wellington: "I don't know what effect these men have on the enemy, but my God they frighten me."

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Michael Portillo's shabby patriotism

Last winter it looked as though this week's Tory conference would be riven from top to toe with bloody dissension over Europe. The expelled Euro-rebels were screaming for the Cabinet to rule out ever joining a single currency and pro-Europeans were warning of the dangers of exclusion from the mainstream European debate.

Yesterday, across Blackpool, the shrill hysteria of the Euro-sceptics had gone. Their passion had ebbed – not because they are reconciled to elements of the European project, but because they no longer regard it as an immediate threat. As Norman Lamont revealed in his contribution to the fringe, the nationalists think they are winning the argument. "We are all Euro-sceptics now," he boasted.

And in many ways he is right. What has changed is not the Conservative Party, but the rest of Europe. In the summer the German Finance Minister, Theo Waigel, raised doubts about the ability of several countries to meet the Maastricht criteria. Meanwhile the French President, Jacques Chirac, faces serious obstacles to his policy of shadowing the mark. In these circumstances any move towards greater monetary integration in the near future looks unlikely. The Euro-sceptics thus feel less threatened. The idealistic Euro-enthusiasts are slightly chastened, and – for the moment – the moderate pro-European politicians feel that they can afford to indulge the right wing.

Public attention is shifting to the internal argument over economic priorities: to tax cuts versus public spending. The sound and fury centres on the question of who – if anybody – should pay the price for Tory ambitions to give the middle classes a pre-election bonus. Difficult though this ground is, its lack of any

absolute focus renders it much easier for the Tory high command to deal with – and find some accommodation between the different wings over – than Europe.

The only problem is that some senior Tories are not prepared to sign up to a ceasefire on Europe. Yesterday the Defence Secretary, Michael Portillo, made it clear that a consensus on Europe is not attractive to him. With no economic union to rail against, Mr Portillo acquired a new enemy: European defence co-operation. After spuriously invoking the dead of two world wars, Mr Portillo constructed a new Aunt Sally – a European superstate giving orders (presumably barked in comic German) to British soldiers. "No way," he yelled to predictable applause.

In his single-minded pursuit of the longest standing ovation of the conference, Mr Portillo was jeopardising the one area where far greater European co-operation is urgently needed. As events in Bosnia have demonstrated, the Americans are increasingly reluctant to intervene in foreign crises, and the lack of any properly co-ordinated European action has been sadly evident. We can and must do better if we are to deal with the complex geopolitics of the next century, when the unilateral efforts of small nations will become increasingly irrelevant or counterproductive.

Mr Portillo is happy to build his alternative political base in the party, exploiting any opportunity he can to use the European issue. That is not a surprise. What is less clear is what the Prime Minister will do about it. If the answer is "nothing", then his willingness to pander to ultra-nationalism may rebound on him. Meanwhile those on the left of the party, already aroused by Alan Howarth's decision to quit, will feel even more uncomfortable in the face of Mr Portillo's crude populism.

Pocahontas and the chain-smoker

The Disney Corporation is displaying the first signs of madness. It seems to believe that there is some connection between its cartoon Native American princess – currently enchanting the nation's children in the blockbuster film *Pocahontas* – and the real 17th-century personality, who is buried in a churchyard in Gravesend, Kent. To that end it has decided to endow the true Pocahontas's burial site to the tune of £9,000 – money that will help to buy floodlights for the church.

In fact the most historically accurate aspect of the Disney character is probably Pocahontas's friendship with a talking raccoon. She never got off with the settler John Smith (who, far from being a blond surfer hunk, looked a bit like Ronnie Corbett with a false beard) and she was considerably younger than the lithe 18 or 19 depicted in the film. The true princess married a different colonist, John Rolfe, one of the earliest tobacco importers and conceivably the first European to become a chain-smoker.

You can see why the real princess had to be tampered with a little, so as to appeal to the audience of today. A tale of ragged Indians and settlers of unpleasant men, comfortable with paedophilia and smoking themselves silly on something that made filterless Gauloises taste like perforated Silk Cut, would not sell the books, figurines, dolls and other film-flam, which between them are netting yet another fortune for the Disney people.

ANOTHER VIEW Lord Gowrie

Art for all our sakes

William Waldegrave, the Chief Secretary to the Treasury, is reportedly trying to renege on a promise that money from the National Lottery will never replace existing government arts funding. It appears that he wants to replace such grants with endowments to major arts institutions. A leaked letter indicates that the Secretary of State for National Heritage, Virginia Bottomley, is resisting this move.

Mrs Bottomley is right to take issue with the Treasury to ensure that lottery money is not used as a substitute for current government responsibilities. Government should be engaged in the arts (even at arm's length) and be committed to the notion of supporting the country's arts and culture. This commitment should be for their intrinsic value and also for the contribution they make to the country's health and vitality, and indeed its whole economy.

Mrs Bottomley said that the idea of using endowments to fund arts organisations was "not a runner", and I agree totally. Endowments give such poor value: in order to fund the current Arts Council portfolio, well over £2.25bn, at a cautious estimate, would have to be invested – vastly more than the arts are likely to receive from this lottery even by the year 2000.

That estimate covers only those professional arts organisations currently funded by the council. Lottery funds are currently open to all organisations that

need capital investment for arts activities, be they professional or amateur, large or small. It is vitally important that it should continue to be open to all arts organisations, and not only the selected few that currently receive government subsidy.

Endowments can hold no solution to the questions surrounding the funding of the arts. So far the council has given £130m from the lottery funds to 265 organisations. This money is for projects ranging from playground sculptures for a primary school to a full-length feature film, from a new bus for a touring theatre company to a major renovation of an important London theatre. It is gradually making a real difference to communities all over the country. The money is active: it is generating other income from local authorities, business sponsorship and private donations and creating work not only in the arts, but also throughout the design and construction industries.

The Prime Minister made the promise last year that lottery funding would not replace existing government spending. The Government must stick to this promise and give the arts a well-earned chance to benefit from this new money, and give the people of this country the arts they deserve and are so good at making – a bequest for the generations of the next millennium.

The writer is chairman of the Arts Council of England.



Not only are banks merging, bank robbers are too

LETTERS TO THE EDITOR

Crime and punishment: Islamic law versus Western values

From Mr Bassam Alloni

Sir: The editorial in today's issue, "The Gulf widens over executions" (9 October), and your reporting of the controversy surrounding Filipino maids ("The maid on death row," 9 October) will do little to change the situation in the Gulf to which they refer. Islamic law and the judgments made under Islamic law cannot be compared with entirely culturally different Western values. By Western standards the executions in Saudi Arabia this year may seem shocking, but it must be realised that Saudi is an Islamic country, and as such cannot radically change its judicial system.

The workings and practices of courts in Islamic countries are so little understood in the West that there is often total incomprehension at the way decisions are reached and cases conducted, and then a complete over-reaction when the judgments of the courts are carried out. Muslims have a deep respect for their judicial system and a desire to live in an Islamic society, whether this meets with approval in the West or not. It is also worth noting that crime levels in Saudi Arabia are far lower than in the West.

It seems to be forgotten in the hysterical publicity surrounding the isolated cases reported that there are over 1.5 million Filipino migrant workers in the Gulf. They will contribute much of the 30bn sent home annually by the 4.2 million Filipino workers worldwide. The impact of the workers in the Gulf is acknowledged by the Filipino Minister of Labour, who visits the region every year to sign further employment treaties. His government must be satisfied with

conditions or it would not encourage so many of its citizens to work in the Gulf.

Of course there are exceptional cases, but they constitute a tiny minority. Such charges, levelled against the Gulf, constituting a sweeping and extremely unfair generalisation, will not help the Filipinos, and will not change Islamic law or the desire of Muslim people to live under their chosen jurisdiction.

Yours faithfully,
BASSAM ALLONI
Gulf Centre for Strategic Studies
London, EC1
9 October

From Mr Richard Sockett

Sir: Your focus on the appalling violation of human rights under the Saudi judicial system, with its mockery of accepted legal norms, offers another shameful reminder of just how far Western governments can sacrifice moral scruples for economic greed.

Yet apart from the escalating numbers reported by Robert Fisk (9 October), none of this makes surprising reading if we consider successive Amnesty reports and, as you make clear, sources independent of our own government. But here, alas, is where your suggestions for a solution appear well-intentioned but vastly optimistic.

Your leading article, commendable in many respects, ultimately hinges on a principled view of Western motivation which at present is unlikely to be shared by the Foreign Office, less still by the regime in Riyadh. Privately, neither would be under any illusion about exactly why we dispatched 500,000 troops to defend Saudi "freedom", and any threat to abandon them to Saddam –

together with their oilfields – would be laughed out of court, even under that judiciary. Worst of all, they'd be right.

Yours faithfully,
RICHARD SOCKETT
London, N22
9 October

From Mr Mervyn Benford

Sir: The ambassador for Saudi Arabia, Dr Ghazi Algosaihi (Another View: "We will continue to execute," 10 October) offers a proper and well-argued affirmation of the character of Saudi Arabian society. Not everyone, even in the West, supposes "13 judges... want to condemn an innocent person to death". But he conspicuously ignores two significant strands in Robert Fisk's argument.

One is the quality of the evidence available to those 13 judges and the access of the accused both to that evidence and to professional advocates capable of arguing the case. The second concerns the independence of a nation's judiciary from its executive. Would he comment further? "The West" is not the homogeneous society he portrays, any more than we should suppose Arabs or Muslims to be. The West is made up of groups as disparate in their individuality as Swedes and Americans, French and New Zealanders. Each will criticise the other. Neither Communism nor nuclear physics, nor even Christianity, has united them. Each contains individuals ready and able to condemn our awesome propensity for war and weaponry. None would claim to be perfect but each would claim integrity and independence for its legal systems.

Yet even in that, each can be

self-critical. Many Americans now question the integrity of a legal system whose outcomes are so evidently partial and in which the state and its judiciary, if not sanctioning the murder of people either known to be innocent or whose guilt is not sufficiently defined, have been too ready to turn the blind eye to those who do. Here in Britain society is shocked by corruption among police forces in this very matter of evidence. The issue remains not the process but the quality of justice, and of mercy.

Yours sincerely,
MERVYN BENFORD
Banbury
10 October

From Mr Nicolas Walter

Sir: The Saudi ambassador's defence is wrong to claim that *sharia* "represents the sacred word of the Koran". This is only one element in *sharia*, alongside the later traditions, the consensus of even later scholars, and the continuing process of reasoning by analogy.

For another thing, it is wrong to omit the possibility of progress. Jewish and Christian laws, which were once as drastic as Muslim laws, were reformed by a growing sense of humanity in the area of crime and punishment. This is expressed in the Universal Declaration of Human Rights and other such texts, which aren't sacred but surely offer a better basis for justice than the scriptures of ancient religions or the traditions of savage tribes.

Yours sincerely,
NICOLAS WALTER
Rationalist Press Association
London, N1
10 October

Man, party or democracy?

From Mr Richard Ensor

Sir: In evaluating the recent move of Alan Howarth, MP for Stratford-upon-Avon, from the Conservative Party to the Labour Party, there is a question of loyalty to consider. Has Mr Howarth done the right thing, choosing loyalty to his social conscience over his party?

As Britain is a democracy, where constituency members vote for a person (not a party) to represent them at the Houses of Parliament, surely the first loyalty of an MP is to the people of the constituency rather than a party?

Today, Mr Howarth looked tired and sincere. It is difficult to see his move as an act of loyalty for any party. However, he has shown loyalty to his own values and has not been respected by those who expected his loyalty. The timing, coincidental or not, surely calls to account some Conservative attitudes towards the responsibilities of democratic power. In complaining of his disloyalty, some of the party faithful reveal a poor grasp of the nature of democracy, indeed they are hoist by their own petard.

Yours sincerely,
RICHARD ENSOR
Thurleigh,
Bedfordshire
9 October

From Mr Stephen Gould

Sir: Brian Mawhinney comments ("Tory schisms laid bare by shock decision," 9 October) that Alan Howarth's failure to stand down "deprives the people of Stratford of their representative that they voted for".

By the same logic, those Tory MPs who were withheld the party whip should also have stood down to allow a by-election to be held. I don't recall any Tory proposing this.

If the vote is for the man, not the party, then Mr Howarth stays. If a vote is for the party, not the man, then the Tories cannot argue against party lists in a PR system.

Which is it, man or party? Yours sincerely,
STEPHEN GOULD
London, SW5
9 October

From Mr N. Barn

Sir: I note that John Redwood failed to mention Alan Howarth's assertion that "hostile and discriminatory attitudes exist in a wholly unacceptable way in the party". Yours sincerely,
N. BARN
Wolverhampton
9 October

Flood of letters

From Mr Sebastian Robinson
Sir: John Walsh reports in his diary today (5 October) how he was humiliated by Umberto Eco for not knowing who Robert Flood was.

He needn't worry. Since the Rostrelian R.E. (1574-1637) wrote under the names Flud, Fludd, de Fluctibus, Rudon, Otreb, Joachim Frizius and (possibly) Alitophilus, it appears that he didn't know himself who he was.

Yours faithfully,
SEBASTIAN ROBINSON
Glasgow
5 October

Fighting the same foe: infertility

From Mr Michael Pawson

Sir: While agreeing with some of Professor Robert Winston's views in the comment section, ("NHS patients deserve the best," 6 October), may we take issue with the example he chose to use. Had Professor Winston's aim been to illustrate, rather than to denigrate, then perhaps he would have been more accurate. The Assisted Conception Unit at the Chelsea and Westminster Hospital, recently licensed by the government-appointed body the Human Fertilisation and Embryology Authority (HFEA), is run by four consultants, each with a special interest in an aspect of fertility treatment. Collectively, they have established and run a fertility clinic for over 25 years, currently run one of the most successful IVF clinics in the country (which has pioneered several fertility treatments), and have extensive experience in reproductive endocrinology and male factor infertility. Thus it is not only our view, but also that of the HFEA, that this unit has the ability to provide a truly comprehensive fertility service.

The tenor of Professor Winston's article reflects the sad state that the competitive market in the NHS has reduced us to. The Assisted Conception Unit was not set up to make a profit, as implied by Professor Winston, rather it was established because so many of our patients were having to wait for so long for IVF. Until recently this may have been up to four years on the NHS. This left them little choice but to go to private clinics and pay in the region of £2,000 per treatment cycle. This both we and our patients found distressing.

We wished to establish a unit with an empathetic and caring environment. To this end we plan to limit the size of the clinic, to treat only those eligible for NHS care, either funded by their DHA or self-funded at "cost price".

We would want to regard those working in the Fertility Clinic at the Hammersmith Hospital as colleagues and friends with the best interests of patients at heart and not as competitors. We would hope that this feeling is reciprocated.

Yours sincerely,
MICHAEL E. PAWSON
MARK R. JOHNSON
HOSSAM I. ABDALLA
JONATHAN W. RAMSAY
Assisted Conception Unit
Chelsea and Westminster Hospital
London, SW10
10 October

Dandy trick

From Mr John Shepherd

Sir: I read that Charles I wore the first waistcoat on 15 October, 1666 ("This is the week that was," 9

October). I hope he was not trying to model headwear too, as he was beheaded some 17 years before. Yours faithfully,
JOHN SHEPHERD
Deanscales, Cumbria

How the other half lunches

From Mr F. M. M. Steiner

Sir: Helen Wilkinson's thoughtful and compassionate article ("Has love been lost to labour?" 6 October) on women's priorities in work and personal life, suffers from one major flaw. It seems to deal exclusively with middle-class and professional women whose jobs and careers involve well-paid work with a high level of job satisfaction. This is illustrated by her reference to the allegedly obsolete "lunch hour". For more than half the labour force of both sexes the dinner-break has not

disappeared. Where (as in the case of my son-in-law recently) the employer shortens it, it is usually in exchange for an earlier end to the working day. In this setting, where so many women have jobs and not careers, where the work is not well-paid and often boring, you go out to work mainly for the money, but job satisfaction is often less than in motherhood – sometimes even outside marriage. Your contributors and readers should remember how the other half lives.

Yours faithfully,
F. M. M. STEINER
Deddington,
Oxfordshire
9 October

Doorstep lore

From Mr Karel Schuck

Sir: Has Professor R. A. Burchell (letter, 7 October) never heard of the friendly neighbour who makes sure during one's absence that mail or other articles left on the doorstep and mail visible on the mat through a glass door are removed out of sight?

In our case, there is always somebody taking care of a neighbour's mail, etc, and no burglaries so far. One cannot, surely, blame BT for one's own folly. Yours very sincerely,
KAREL SCHUCK
Redhill, Surrey
8 October

From Mr C. Izard

Sir: I was sorry to hear of the recent burglary in London N1, a directory possibly providing a clue to the occupant being out of the house. As a responsible directory distributor of the same-edition directory in London NW6, let me assure all your readers that all distributors have strict instructions not to "doorstep deliver".

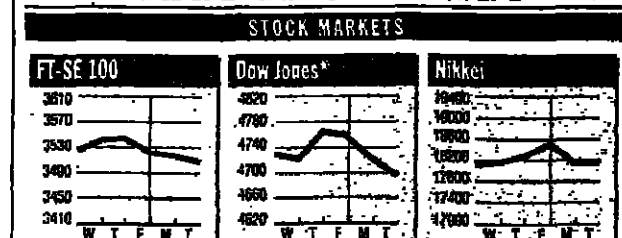
I trust the professor contacted British Telecom to complain. BT, in turn, would responsibly follow the chain down through its contracted-out distributors. Yours faithfully,
C. IZZARD
London, NW9
7 October

Letters should be addressed to Letters to the Editor, The Independent, One Canada Square, Canary Wharf, London E14 5DL and include a daytime telephone number. (Fax: 0171-293 2056; e-mail: letters@independent.co.uk) Letters may be edited for length and clarity. We regret that we are unable to acknowledge unpublished letters.

Mozart: the sex, the house party

ACTIONAID

MARKET SUMMARY



Index	Close	Day's change	Change %	12 Mth High	12 Mth Low	Vol (M)
FTSE 100	3460.1	-50.2	-1.4	3570.8	2943.4	4.0
FTSE 250	3903.2	-49.9	-1.3	3991.3	3300.9	3.4
FTSE 350	1730.1	-24.4	-1.4	1778.3	1477.0	3.9
FT All-Share	1711.9	-23.2	-1.3	1782.4	1485.5	3.8
New York	4716.5	-9.7	-0.2	4801.8	3674.8	2.4
Tokyo	18176.3	closed	-	20148.8	14485.8	0.8
Hong Kong	9730.9	-132.5	-1.3	9940.0	8867.9	3.3
Frankfurt	2138.8	-29.9	-1.4	2317.0	1911.0	1.9
Paris	1778.0	-7.8	-0.4	2017.5	1721.8	3.8
Nikkei	9500.0	-55.0	-0.6	10571.0	9265.0	2.0

*New York at 1500 hours. See Japan graph at 1300 hours

MAIN PRICE CHANGES

Shares	Price (p)	Change (p)	% Change	Shares	Price (p)	Change (p)	% Change
Shell	486	20	4.3	Electrocomp	308	21	6.4
British Telecom	88	2	2.3	British Biotech	620	48	5.5
St Ives	414	9	2.2	Lloyds Chemicals	230	12	5.0
Royal Bank of Scotland	493	9	1.9	MPI Furniture	138	7	4.8
Bank of Scotland	243.5	3	1.3	General Cable	185	9	4.6

INTEREST RATES

Short sterling*	UK medium gilt	US long bond
6.50	6.50	7.25
6.75	6.75	7.50
7.00	7.00	7.75
7.25	7.25	8.00
7.50	7.50	8.25
7.75	7.75	8.50
8.00	8.00	8.75
8.25	8.25	9.00
8.50	8.50	9.25
8.75	8.75	9.50
9.00	9.00	9.75
9.25	9.25	10.00
9.50	9.50	10.25
9.75	9.75	10.50
10.00	10.00	10.75

Money Market Rates

Index	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	10 Year
UK	6.56	6.78	6.82	6.89	6.29	6.80	6.80	6.80
US	5.78	5.81	6.05	7.69	6.42	7.91	7.91	7.91
Japan	0.51	0.58	0.86	4.58	3.54	5.01	5.01	5.01
Germany	4.00	4.00	6.58	7.58	7.25	8.00	8.00	8.00

CURRENCIES

Index	Yesterday	Change	Year Ago	Index	Yesterday	Change	Year Ago
\$ (London)	1.5790	-0.08	1.5852	£ (London)	0.6337	+0.35	0.6308
\$ (New York)	1.5770	-0.08	1.5832	£ (New York)	0.6341	+0.36	0.6312
DM (London)	2.2292	-0.21	2.4589	DM (New York)	1.4191	+0.70	1.5499
Yen (London)	158.58	-0.72	158.51	Yen (New York)	100.55	+0.14	100.58
£ (London)	84.5	-0.1	84.1	£ (New York)	92.7	+0.2	95.1

*New York rates and Bank of England at 15.00 hours

OTHER INDICATORS

Indicator	Yesterday	Day's change	Year Ago	Indicator	Yesterday	Day's change	Year Ago
Oil Brent \$	15.98	+0.02	16.47	RPI	149.9	3.5pc	2.4
Gold \$	385.25	+0.50	390.50	GDP	2.8pc	4.1	23 Oct
Gold £	244.14	+£1.67	246.34	Base Rates	6.75pc	5.25	-

Source: Datastream

IN BRIEF

Rhône-Poulenc tightens grip on Fisons

Rhône-Poulenc Rorer consolidated its grip on bid target Fisons yesterday after picking up a further 18.6 million shares to take its holding to 30.9 per cent. The new shares, all acquired at the raised bid price of 265p, included the entire 9.8 million holding of Sun Life of Canada. The latest deal follows a string of large disposals by institutional shareholders since the bid began. RPR said acceptance of the offer covered 0.27 per cent of Fisons' shares as of Monday. The shares fell 0.5p to 263p.

Bullers calls in receivers

Bullers, the film editing to fire surround group, has called in the receivers after being overwhelmed by debts of around £4.5m. The news marks the end of the struggle by chairman David Cunningham to turn the company round. Mr Cunningham sold part of his stake at prices of 12.5p and 15p earlier this year, but on 3 October shares were suspended at 1.25p. Grant Thornton, the receivers, are already in talks about selling parts of the business.

New chocolate chief awaited

Thorntons, the chocolate maker and retailer, said it was ready to appoint a new chief executive after reporting a £1.6m fall in profits to £10.5m for last year. The unnamed candidate will come aboard in January. David Mitchell, the previous UK managing director, has already left. After a disappointing Christmas, the company blamed the hot weather for a reduction in demand for chocolates over the summer.

Investment column, page 22

Panel intervenes in Aran bidding

The Takeover Panel has demanded clarification from Statoil, the state-owned Norwegian firm, over whether it intends to bid for Aran Energy. The panel was concerned at reports suggesting that Statoil would definitely bid for Aran, the subject of a £180m hostile attack by Arco of the US. Statoil has now made clear that it is considering an offer but is in no way committed. Arco has asked the panel to set a timetable for any Statoil bid.

Treger demands early Scholl sale

Julian Treger, one of the dissident shareholders in Scholl, the footwear company, said he will withdraw his demands for an extraordinary general meeting if the company appointed an independent merchant bank to seek offers for it. In a letter to Gordon Stevens, the Scholl chairman, Mr Treger said he would love to direct potential bidders to the company because this would maximise value for all shareholders. Mr Stevens said yesterday that the dissidents had failed to respond to an earlier request to supply the company with details of alleged bidders.

Trafficmaster losses exceed £1m

Shares in Trafficmaster fell 22p to 179p as it reported a doubling of losses at half-way to £1.12m. The company, which has launched an in-car monitoring system to avoid traffic jams, said the losses were expected because of start-up costs.

AEG sheds component business

General Electric of the US has bought AEG's low-voltage components businesses from Daimler-Benz for DM320m (£142m). AEG, Germany's second-largest electronics group, has sold or shut down many of its loss-making activities in the last four years.

Markets in turmoil: Worries over faltering US profits push prices down on Wall Street and in London

Recovery fear sends shares diving

TOM STEVENSON
and MICHAEL MARRAY

Share prices plunged on both sides of the Atlantic yesterday to some of their worst levels in months. In London an estimated £13bn was wiped off the value of UK companies at one stage as the stock market slumped almost 70 points before rallying.

On Wall Street, a wave of selling pushed the Dow Jones index down more than 60 points as Americans worried about falling profits from a stumbling recovery. UK investors were reacting to a growing sense of crisis within the Conservative Party – and the Wall Street fall.

The Footsie was off 67.3 points by mid-afternoon. Although the index recovered, it still closed 50.2 points down at 3460.1.

Share prices on Wall Street fell sharply yesterday morning in heavy trading, as what began as investor jitters over the prospects for technology stocks widened into an across-the-board sell-off. For the second day running New York Stock Exchange limits on program trading came into effect, triggered by a near 65-point drop in the Dow Jones Industrial Average shortly after the opening bell.

By lunchtime the market had recovered some ground, but the Dow was still down by 37.21 points at 4689.01, and the Nasdaq composite index, which was 20 points down in early trading, stood at 970.90 for a loss of 13.84 points.

Market strategists played down the significance of yesterday's movement. "It's this absurd situation, with the UK marked down ahead of an expected plunge on Wall Street. Then after the close the Street bounces back" one said. But he warned that any recovery later in the week would depend on how the markets reacted to key speeches from the Chancellor and Prime Minister in Blackpool.

Another strategist described the fall as an over-reaction, blaming a dearth of the takeover news that has buoyed the market over the summer. But he said bids and a wave of consolidation in financial services had distracted from poor market fundamentals – recent weakness in the gilt market following the uncovered auction, poorer than expected economic figures and a worsening outlook for corporate earnings.

The consensus from BZW's sector analysts now points to earnings growth this year of 11 per cent, compared with the 15 per cent expected recently. Steve Wright, the firm's UK equity analyst, believed that figure could retreat even further to maybe 8 per cent.

Analysts said markets might normally be expected to bounce back today but forecast continued uncertainty ahead of key speeches tomorrow and Friday from Kenneth Clarke and John Major, as well as inflation figures expected to edge higher.

The recent weakness of the New York market again focused on bearish sentiment in

the highly rated technology sector. Poor results from Motorola, the computer chip manufacturer, and a gloomy report from the Semiconductor Industry Association sparked fears of a sell-off in the sector that has largely driven the rise in Wall Street this year.

Many analysts view the correction in the technology sector as overdue, and also point out that the broader market enjoyed its fastest run-up since 1987 during the first three quarters of 1995. The first three quarters of 1995, however, have been expressing caution since early summer, but have been drowned out by

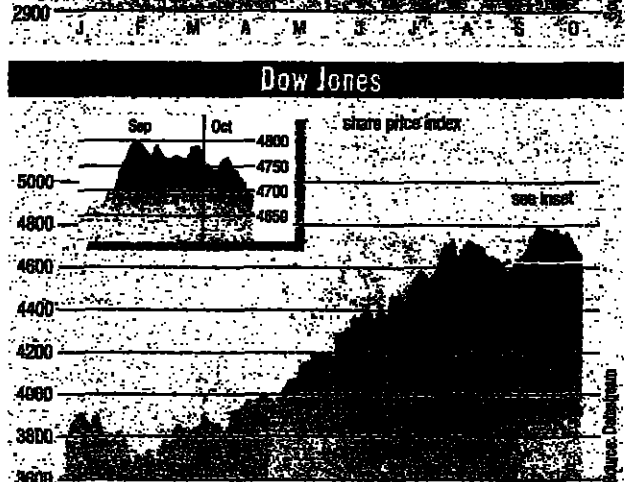
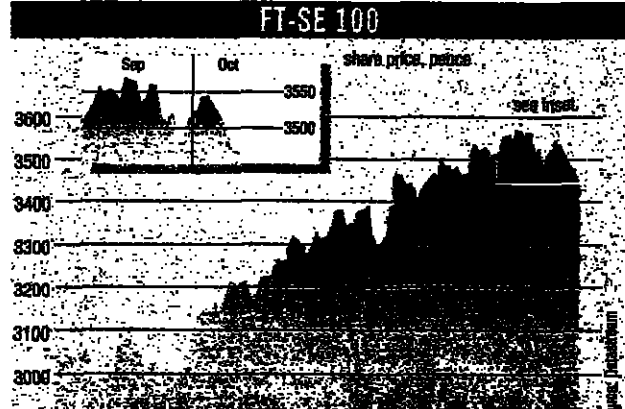
the hype over the launch of Microsoft's Windows 95 operating system, and the market frenzy over offerings such as Netscape. Its share price more than doubled on its first day of trading in August. Hi-tech stocks did not fare so well in September, but the past few days have seen the first signs of panic selling by small investors, who have so far appeared blind to the risks in the market.

Investors in the US are also becoming increasingly exercised about third-quarter earnings figures due in November, which analysts believe will disappoint compared with the impressive first and second quarter numbers.

This week's sell-off was triggered in part by Friday's announcement from Novell that its fourth-quarter earnings would fall well short of analysts' expectations, as a result of weak sales in its applications software products, which include WordPerfect. Novell said weak third quarter sales were going to get worse in the current quarter. This announcement was made after close of trading on Friday, but was picked up on Monday morning as an excuse to start

appoint compared with the impressive first and second quarter numbers.

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Construction cutbacks threaten 20,000 jobs

RUSSELL HOTTEN

The construction industry yesterday warned of thousands more job losses as official figures pointed to a continuing slowdown in the sector. New UK construction orders fell 2 per cent in the three months to August compared to the previous three months – prompting an attack on the government's private finance initiative for delaying recovery.

The figure was an 8 per cent decline on the June-August period in 1994, according to provisional, seasonally adjusted figures from the Department of Environment. The figures show that orders for private housing in the third quarter of 1995 fell by 19 per cent against the same period in 1994. New orders for public housing fell by 8 per cent, while other public building works dropped by 12 per cent compared with a year ago.

"Confidence in the level of construction work for the future has reached a new low," said

Richard Houghton of the Royal Institution of Chartered Surveyors. "These figures are bad news for those employed in the construction industry, but also have serious implications for the economy as a whole."

"If, as we predict, 100,000 jobs are to be lost from the industry over the next 2-3 years, the Exchequer stands to lose as much as £1bn in increased social security payments and lost revenue."

The Building Employers' Confederation warned yesterday that up to 20,000 jobs could be lost over the next six months as the industry slumps into a new recession. The organisation estimates that 480,000 building jobs have gone since 1990.

Paul Shepherd, chairman, attacked the government's private finance initiative (PFI) which requires all public sector projects to be market-tested. He said the PFI had delayed and reduced investment.

The gloom was underlined by the National Council of Build-

ing Material Producers, whose survey published yesterday showed that members had put back expectations of recovery to 1997. The BMP – with around 2,000 members – said 78 per cent of respondents were not working at satisfactory levels. In the spring, over half had reported satisfactory volumes.

The BMP forecasts a two per cent drop in UK construction output this year, with a 0.5 per cent decline in 1996 compared with 2.5 per cent growth forecast previously. The survey revealed a "picture of disaster" in the industry and blamed government failure to help the housing market, "dithering" on interest rate policy and confusion over the PFI.

The three employers' groups called for action in next months budget to stimulate construction activity. Mr Houghton said: "The government could afford to spend an extra £500m on urgently needed social housing, creating jobs without inflationary pressure."

Murdoch offers grim message

MARY FAGAN

Rupert Murdoch, chairman of the News Corporation, warned that newspaper prices could rise by 10 per cent over the next 12 months, costing the group Aus\$350m in the year.

Speaking at the group's agm, Mr Murdoch also refused to rule out a future joint venture with BT – the subject of speculation at the weekend – but said that at present there are no discussions "on the rope".

Rumours erupted at the end of last week that Mr Murdoch was in talks with the BT chairman, Sir Iain Vallance, concerning co-operation in the "information superhighway". BT denied any such discussions but Mr Murdoch said yesterday: "We have a joint venture with their partner MCI in North and South America

and we would not rule out a similar joint venture in Britain and we are certainly looking with them. It's not just them ... we're all talking."

The agm also approved the recently announced alliance with MCI, the US company in which BT has a 20 per cent stake. Under the deal, MCI will take a stake of up to 13.5 per cent stake in News Corporation for up to US\$2bn and has first refusal on buying the Murdoch family stake in the event that they decide to sell.

The media chief warned that he expects flat to slightly lower earnings in the three months to September, adding that he does not expect higher dividends in the future for shareholders.

"We have built this company in 40 years from being a couple of hundred thousand dollars to being worth \$20bn by pouring



Newsprint warning: Rupert Murdoch addressing News Corporation's agm in Adelaide yesterday. Photograph: Greg Adams/Reuters

back the profits into it. Basically I think any shareholder will tell you, it has been a capital growth play. It has not been a dividend play," he said.

Shares in News Corporation fell by 12p to 324p on Mr Murdoch's newspaper predictions. "Paper costs are a worry and it is going to be some time before this turns

around." But he remained bullish about the UK, where profits are expected to rise in the year to June 1996. Mr Murdoch said: "We have great faith in our news-

paper position in Britain. We see growing profits ... if we increase our share of the market and manage to get even more competitive and even more efficient."

High street banking: rivals forced to consider future strategy □ directors' payouts may reach £9m in dividends and options

Lloyds merger forces rethink

Phantom options to give TSB executives £1.7m

JOHN WILLCOCK

Financial Correspondent

Lloyds Bank will announce the details of its proposed merger with TSB this morning, driven by the prospect of £3bn of cost savings and increased revenues. The emergence of this new banking giant is forcing an urgent rethink right across the financial services sector, as banks, building societies and insurers accelerate plans for cost cutting and acquisitions.

The Banking Insurance and Finance Union warns that 5,000 to 10,000 jobs will go over the next few years as a result of the deal. Some City analysts think that even more – up to 20,000 – will go over the next five years. The estimated £15bn market value of Lloyds TSB is reached

only on the expectation of a massive £3bn gain from substantial cost cutting and new earnings growth. Lloyds' current market capitalisation is £9bn, that of TSB £4bn. With £1bn being handed back to shareholders in the form of the special dividend, under the merger terms, a £3bn jump in value is being factored in by advisers.

Barclays and NatWest now face stark choices on where they go from here. Both are heavily committed to the big corporate sector, where Lloyds is a medium player and TSB nowhere. Increasingly they deal with their big corporate clients through their investment banking arms, and these operations have required huge investments.

The question is whether they can succeed in the personal sec-

tor and the corporate sector at the same time. They are competing with ever larger personal financial groups like Lloyds TSB, as well as pure investment banks like the giant Goldman Sachs and Morgan Stanley.

There is also a question mark over Abbey National. It was the first building society to convert to bank status in 1989, and is now buying National and Provincial, which to sell their products. BAT, the tobacco and financial services conglomerate, always had its eye on TSB, and may look elsewhere in the sector now that it has been thwarted.

Standard Life already owns one-third of the Bank of Scotland. This is seen as an obstacle to any potential bidder for the bank – but may also tempt the insurer to make a full bid.

£3.5bn valued on the same basis as TSB in the Lloyds merger, while Royal Bank would cost around £4bn or more. There would, however, be strong protests from Scottish public opinion if their banks were acquired by one from London.

The insurance companies could also enter the fray. Many have examined the idea of buying a bank network through which to sell their products. BAT, the tobacco and financial services conglomerate, always had its eye on TSB, and may look elsewhere in the sector now that it has been thwarted.

Standard Life already owns one-third of the Bank of Scotland. This is seen as an obstacle to any potential bidder for the bank – but may also tempt the insurer to make a full bid.

PETER RODGERS
and NIC CUTTIT

Four executive directors of the TSB stand to make £1.7m from "phantom" share options that can be exercised from next February onwards. This is in addition to conventional share options held by the board that could bring profits of about £9m and take their total benefits to nearly £11m before tax at last night's share price.

Experts said the six directors would automatically be entitled to £7.4m, which they can take immediately. The remainder of the £9m, together with the phantom options, are likely to be subject to negotiations as the exercise dates have not yet arrived. Directors who stay on may also decide not to take their full entitlements but instead transfer them into a new benefits package in the merged company.

The phantom options, granted in 1993, are cash bonuses linked to the growth of TSB's share price above a base line of 143p, compared with last night's close of 353p. They provide the same profit as a conventional option without the need to buy any shares.

Peter Ellwood, the chief executive, would be eligible for a

payment of £604,000, John Burns for £402,000, John Elbourne for £424,000 and Michael Fairley for £265,000. These four board members, together with two others – Hugh Freedberg and the chairman Sir Nicholas Goodison – are also set to make a £5.66m pre-tax profit on conventional share options.

Sir Nicholas leads with £1.42m, taking his total potential reward to nearly £2.3m, followed closely by Mr Ellwood with £1.3m, bringing him a possible total of £2.7m.

These figures are based on options listed in the most recent annual report, for 1994. TSB refused to say whether there had been any change in the number of options held by directors since the end of the 1994 financial year. The directors are also in line for a further £1.77m, assuming they exercise their options and receive the special dividend of 68p a share, promised as part of the merger terms.

The executive members of the board also have a series of other options that they can exercise from various starting dates over the next four years, with the first in March next year. These are showing a paper gain of £1.7m.

The bonanza awaiting TSB executive directors					
Director	Paper profit: options exercisable 1994-5	Special dividend @ 68p	Paper profit: other options exercisable	First year other options exercisable	Phantom options
JA Burns	975,000	290,000	178,000	1996	402,000
JK Elbourne	900,000	278,000	257,000	96-98	424,000
PB Ellwood	1.3m	424,000	360,000	96-97	604,000
ME Fairley	81,000	24,000	378,000	96-99	265,000
HR Freedberg	990,000	325,000	110,000	96-97	-
N Goodison	1.4m	436,000	420,000	96-99	-
TOTAL	5.660m	1.777m	1.703m	-	1.695m

Figures in £, based on 350p a share (last night's close). Excludes options exercised or granted this year. Phantom Options: Share price related cash bonus scheme. Exercisable from February 1996.

Source: latest annual report.

Shaky equities set to slide despite takeovers



COMMENT

"Signs of economic slowdown have been there for all to see since early summer. The outlook for corporate earnings too seems to be deteriorating, with an ever-lengthening list of profits warnings and gloomy trading statements"

The only thing holding up the London stock market for some time now has been the hectic pace of bid activity. As yesterday's events showed, even this has become insufficient to the task. Though the takeover frenzy shows few signs of abating, the market seems set on correction mode.

The surprising thing is that it didn't happen earlier. Signs of economic slowdown have been there for all to see since early summer. The outlook for corporate earnings too seems to be deteriorating, with an ever-lengthening list of profits warnings and gloomy trading statements.

As if this were not enough, the failure of the Government's gilt auction should have sent out a siren warning of things to come. Once the final prop of Wall Street was removed, the downward shift became inevitable. The FT-SE 100 share index was 67 points off at one stage, taking its fall from the peak in September to more than 4 per cent.

Has it got further to go? Serious corrections usually take around 10 per cent off the market so the answer is very possibly yes. Sentiment is being increasingly influenced by politics and here the outlook hardly inspires confidence. The Tory Party conference is off to a disastrous start and the numbers the Chancellor has to play with in the forthcoming Budget look as uncertain as ever.

There are other worrying straws in the wind too. Eventually the Government is

going to call a halt to the takeover binge. The spectacle of UK plc being gobbled up in big cost-cutting mergers and acquisitions is for many a repugnant one.

The Lloyds takeover of TSB alone is likely to lead to the loss of up to 20,000 jobs, although you will not hear Sir Brian Pitman, chief executive of Lloyds, admitting to this when he announces details of the merger today. The Government needs headlines of this sort like it needs a hole in the head. However strong the pull of Michael Heseltine's "anything goes" mergers policy, you'd have to be away with the fairies to believe it will go on forever. The end may indeed be quite soon.

And if that goes, then the market begins to look highly vulnerable. Nick Knight, equity strategist at Nomura, may be right after all with his year-end prediction for the FT-SE of 3,200.

Tories push business into arms of foes

It comes as a shock to realise how far the political landscape has changed for the business over the last 12 months. With Tory MPs demanding windfall taxes and Labour yesterday promising to work hard in partnership with industry to create defence manufacturing jobs, telling left from right is no longer an easy process. Would Lord Weir stock prefer Michael Portillo or Dr David

Clark as defence secretary? No wonder companies such as Tate & Lyle are placing each-way bets by splitting their political donations between the parties, and managers everywhere are suppressing their instincts by looking sympathetically at what Labour has to offer.

A survey by the Institute of Management found 54 per cent of respondents felt the Government had lost touch with the needs of business and 63 per cent approved of Tony Blair's belief in a closer partnership between government and business.

For anyone who remembers the CBI's promise in 1981 of a bare knuckle fight with Margaret Thatcher's government, the present tension between big business and the Tories is nothing new. The irony is that Michael Heseltine changed things for the better in his three years as President of the Board of Trade. He really cared about business and actively pursued many of the ideas Labour is now trying to cannibalise.

The problem is that with business, as with so many parts of the Government's natural constituency, the Tories have simply failed to deliver on their promises. In the blitzed construction industry, which is gasping for public sector work, the failure of the private finance initiative to fill the spending gap adds insult to injury. Furthermore, the Heseltine-driven new sensitivity to the needs of industry coincides with Labour's own policy reformation, to the point that the similarities are now much more pronounced than

the differences, both at the macro-economic and micro-policy level.

Look at benchmarking, which Howard Davies, the new deputy governor of the Bank of England, refers to as the best recent idea to come out of the DTI. This is a government-aided exercise to measure the best international standards in a given industry and pass on the secret to those who are not so good, to drag up their performance. It is intervention, and its pedigree can be traced back to the National Economic Development Office that the Tories killed, but it is also cheap and effective. These days we hear as much about benchmarking from Labour as from the Tories.

Business leaders are still not convinced Labour means what it says. But the Government is saddled with the fact that for business there is at last a credible opposition.

US-style bank mergers not easily exported

Whether it be rollerblading or monster bank mergers, fashionable waves that begin in the US tend eventually to break over Britain and Europe. The Lloyds/TSB plan to combine forces to bestride the domestic financial services sector could well be the catalyst for an accelerated series of takeovers and mergers. Banks across Europe are grappling with very similar pressures to the ones that have been driving the surge of con-

solidation in US banking—a combination of capital hoarded in the coffers, and an increasingly fierce battle for business in a mature market with limited scope for growth.

The pace of consolidation in the US has to a large extent been driven by deregulation, breaking down the legal barriers keeping regional banks apart—an element that is not present over here. But the competitive pressures in an overbanked market, with too much capital chasing too little business, are the same.

The US preference for share buy-backs as a way of handing back excess capital to shareholders has had limited resonance over here. Barclays has had a first, timid go, but few of its competitors appear minded to follow suit. They are too concerned about keeping the chequebook ready for a big spend. But while the pressures for domestic consolidation remain intense, it is questionable whether the American merger wave will break with any force on a pan-European scale.

Just as investment banking is increasingly an international business, so retail banking remains fundamentally domestic, rooted in specific cultures, languages and national structures. Just look at the weak English banking penetration of Scotland, never mind the woeful experiences of British retail forays on the Continent. There may well come a time when European banking mergers become attractive, but for now the forces of consolidation are nationally driven.

Utilities: Regulator champions consumers with demand for companies to open accounts

North West Water poised to step up Norweb fight

MARY FAGAN
Industrial correspondent

North West Water is poised to launch a second renewed offer for the electricity firm Norweb, worth up to £12 per share if tax credits are taken into account. The water firm, which yesterday raised £140m through a rights issue and share placing, is thought to be considering adding a special dividend of about 50p to its existing offer of £10.75, or just over £11 in cash and shares.

North West, which is fighting Texas Energy Partners of the US for control of Norweb, declined to comment on whether or how much it might bid. But City analysts believe the offer of an extra 50p special dividend—which would carry a tax credit of 12.5p—will come by the end of this week.

The battle for Norweb intensified last week, when Texas

launched an increased offer of £10.85 per share, valuing Norweb at £1.74bn. Texas, a partnership between Houston Industries and Central and South West Corporation, also made it clear it was prepared to consider another counter attack. Texas, which has yet to issue its offer document, has said North West's bid is overshadowed by regulatory risks and by the water firm's lack of experience in the electricity industry.

Speculation over North West's next move intensified as Ofwat, the water industry watchdog, called on companies to explain dividend payouts to the public and to share any benefits from increased efficiencies equally between customers and shareholders.

Mr Byatt, chief executive of Ofwat, said his concern is fuelled by the steady diversification of the companies away from the core water and sewage

businesses and by the potential for takeovers in the utility sector, including the bid by North West Water for Norweb.

He said customers should be told how much of the dividends paid to shareholders come from the water and sewage services they pay for.

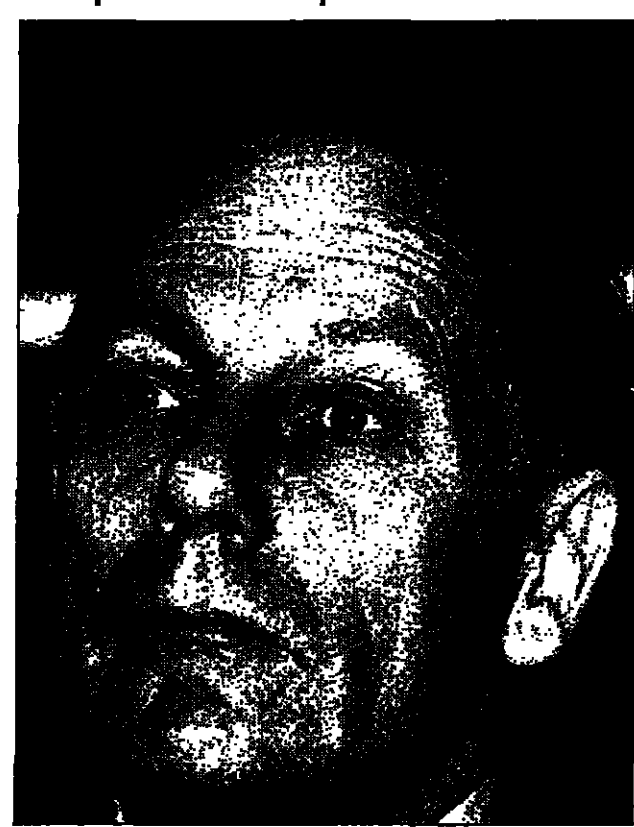
Mr Byatt said: "Accounts are not simply for the City. The water companies should explain to their customers and to the public generally what returns they have made in the regulated water business and what they intend to do with them. There is inadequate debate on the profits made in the regulated business, the trends in its costs or on its financial returns."

Mr Byatt added: "You are probably going to see more utilities becoming part of a larger group and regulators will want to see the regulated business deliver what it ought to within its pricing limits. We

also want to see that there is no cross-subsidy, either in a financial sense or in transfer of goods and services within a parent group. They already have to account to me for the basis of their dividends. What I want now is for the companies to explain to the public what is going on." He demanded they start with the interim reporting season, which begins with Thames Water's half-year results on 31 October.

A City analyst said: "This is a veiled threat to the companies not to announce big dividend increases unless they can prove that they are covered by the non-core parts of the operation. He does not want to see big payouts at a time of particular sensitivity [among the utilities]."

For the last five years the shareholders have benefitted at the expense of customers. Now he is trying to redress the balance."



Ian Byatt: 'What I want now is for the companies to explain to the public what is going on' Photograph: FT

Court bars Baring bondholders' case

DAVID HELLIER

The Barings bondholders were yesterday told that they could not put their arguments to the magistrates' court about the Serious Fraud Office's decision to take over and then drop their private prosecution of Nick Leeson, the former Barings futures trader.

Although the bondholders were heard in part yesterday the court ruled that their full arguments were inadmissible.

However, the City of London magistrates' court decided that it needed to hear evidence from Mr Leeson's lawyers, who were unable to attend yesterday's meeting, before it could decide whether to agree to the SFO's request for a withdrawal of the summonses against Mr Leeson.

The court adjourned until tomorrow when there will be a brief hearing to allow Mr Leeson's legal representatives either to present objections to the dropping of the private prosecution or to estimate how much time they will need to do so.

Last night the bondholders, who lost millions of pounds in the Barings debacle, were deciding whether to take their opposition to the SFO's move to the High Court.

Last month the bondholders laid eight summonses against Mr Leeson before the court and had them accepted. Their prosecution could have resulted in Mr Leeson having a trial in the UK. However, the director of the SFO, George Stapleton, then wrote to the bondholders telling them of his intention to take the case over and drop it.

Michael Hill, QC, representing the bondholders, told the court yesterday that his clients were given a pre-emptory demand from the SFO to provide its director by noon on the following day with the evidence on which the bondholders were basing their case.

Jonathan Caplan, QC, argued for the SFO that the director had decided that Singapore was the most appropriate place for a trial after taking into account all the arguments.

Prosecution ends its marathon

NIC CICUTTI

The prosecution in the case against Robert Maxwell's sons, Ian and Kevin, accused of swindling the media empire's pension funds, concluded yesterday after a marathon 77 days of court hearings and 69 witnesses.

During more than four months of complicated testimony, prosecutors have led the jury of seven women and five men through a welter of documents displayed on computer terminals and a large television screen.

Both brothers, together with Larry Trachtenberg, a former Maxwell director, are alleged to have conspired to illegally risk the assets of the funds to raise cash for the ailing dynasty.

Halfway through the prosecution case, Judge Nicholas Phillips dismissed the jury from returning a verdict on another Maxwell director, Robert Burn, after he suffered a heart attack. During testimony the court

The Maxwell Trial



Day 77

heard how Robert Maxwell acted as a one-man investment manager who made decisions for the pension fund alone.

Witnesses described him as an overbearing and domineering tyrant who browbeat his sons and employees.

He was "extremely demanding and doubly so to Kevin and Ian", said Trevor Cook, who administered the Maxwell pension funds. "I wouldn't say that there was a definite atmosphere of fear but we would incur his wrath."

Bankers, accountants and

lawyers gave details of Maxwell's private and public companies, together with their spiralling debts and severe cash crises.

"I suspect this was a Guinness Book of Records excess overdraft position," said Robert Brown, a corporate banking executive from Maxwell's main bank, National Westminster.

Other witnesses told about confusion over the ownership of the shares in the Israeli companies Teva and Scitex, which form the basis of the case.

Robert Maxwell's Israeli lawyer testified that Kevin told him he was working on a rescue deal with a mystery investor after his father died.

However, senior executives from Lehman Brothers, the Wall Street firm, laughed about reports that someone was willing to invest £400m to rescue the group.

Mr Richard Lissach QC formally closed the Serious Fraud Office prosecution at the Old

Bailey yesterday with an agreed biography of Mr Trachtenberg, a US citizen and father-of-two, who has lived in Britain since 1975.

The court heard that he held degrees in politics and international relations, in which he lectured, but had no "financial or accountancy qualifications".

Together with a partner, Mr Trachtenberg formed Global Analysis Systems in 1985. Mr Lissach described the company as an on-line information service, offering corporations advice on political risk around the world.

The court heard that GAS was bought by Robert Maxwell in 1987. The following year Mr Trachtenberg joined one of the tycoon's companies, London and Bishopsgate International Investment.

The jury is not expected to be in court until Monday next week, when Kevin is expected to give evidence in his defence. The trial continues on Monday.

Nobel applauds economic revolutionary

DIANE COYLE
In Washington

The Nobel committee's decision to award its economics prize to Professor Robert Lucas of the University of Chicago will arouse far less controversy than the work he won it for.

Professor Lucas, the fifth University of Chicago economics professor to win the prize in six years, transformed macro-economic analysis. In the course of a few years, from 1976 to 1982, he set in train one of the rare revolutions in economic thought. His hypothesis of "rational expectations" provided the theoretical underpinning for the resurgence of free market economics.

The theory boils down to the beautifully simple idea that the economic agents—whether individuals negotiating wages, investors buying bonds or companies making investment plans—do not systematically get their forecasts wrong. On average, people will get their pre-ception of inflation, in dictions of inflation, in particular, about right. And they definitely will not be wrong more often than governments. Professor Lucas's insight

swept the profession like wildfire. It meant, for instance, that economists could no longer defend the idea that by inflating the economy a government could permanently reduce unemployment. With rational expectations, workers will swiftly adjust wage claims to compensate, returning unemployment to its original level.

Economists who did not apply rational expectations in their own work had to start out by rebutting it—for example, by suggesting wage contracts prevented the rapid adjustment of wages to inflation expectations.

As well as an elegant theory, Professor Lucas, born in 1937, has a charisma rare in professional economists. His provoking lectures at Chicago and elsewhere in the US caught the imagination of a generation of graduate students at the turn of the last decade.

They swiftly went on to spread the rational expectations revolution, which had the side-effect of making the subject more mathematical. This occurred even though empirical evidence refuting the theory swiftly began to accumulate. Economists are reluctant to let



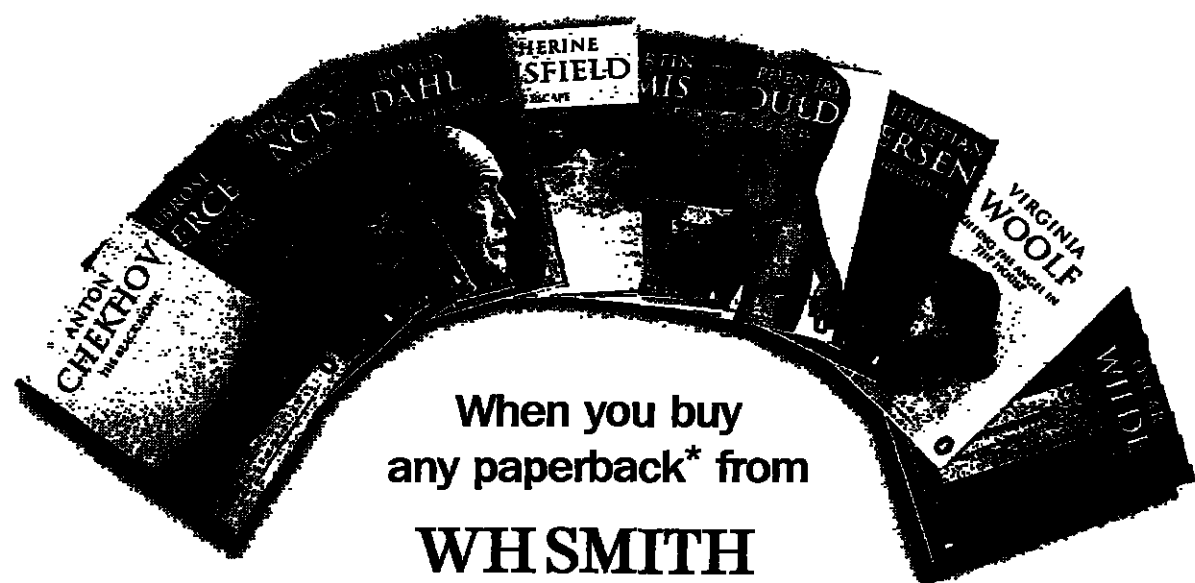
As well as an elegant theory, Robert Lucas has a charisma rare in his profession Photograph: Reuters

the evidence stand in the way of a powerful theory. Even the fiercest critics of the revolution and its powerful free-market consequences accept that Professor Lucas

breathed new life into macro-economic theory. But the cost of his revolution could in the end prove to be the fatal detachment of economic theory from real life.

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WH SMITH

business

THE INVESTMENT COLUMN

Edited by TOM STEVENSON

More selective appetite at St Ives keeps City satisfied

A 1980s spending spree left St Ives with a nasty bout of indigestion in the early 1990s. But the printer's relative abstemiousness since then has helped acquisitions to bed down well to create a low-cost, quick-turnaround printing operation with substantial shares of the markets in which it operates.

It is a formula that continues to please the City. Yesterday's 31 per cent rise in pre-tax profits to £35.5m for the year to July, after stripping out the £4.93m exceptional loss on disposals in 1994, was at the top end of expectations. That helped to send the shares strongly against the market trend yesterday to record an 11p rise to 416p.

Despite the 11 per cent increase in turnover last year, it has hardly been a boom period for St Ives. Books, where the group has about a fifth of the UK market, suffered from flat conditions for paperbacks, which were only saved by a £7m contract to print the Penguin 60s celebration series.

Likewise, it was a dull year for financial work. With close to 20 per cent of the high-security business that accompanies every big City deal, St Ives suffers when transactions are low, as in 1994-95.

Luckily the broad spread of the business helps to make up for laggards elsewhere. Magazine production volumes grew with higher pagination and new titles, including eight wins from IPC, which will go a long way to filling the capacity of the new third press at the Caerphilly plant. Meanwhile, the recovery in the US, where profits jumped from £185,000 to £1.67m, continues apace. The problems of two years ago, when medical printing work fell away under the impact of the administration's health reforms, now look a thing of the past as management focuses on profitable work.

The outlook for the existing business looks set fair. Financial work, led by the outbreak of bid frenzy in the electricity sector, should be on course for a good half-year at least. Meanwhile, the final demise of the net book agreement will probably on balance benefit St Ives' customers, the big publishers of mainstream books.

But perhaps of more relevance to the shares is what St Ives does with its cash pile. Net cash is expected by analysts to be back up to £26m by the year end, despite the total £22m cost of Jöhler Druck, the German printer acquired in August, and capital expenditure of £29m this year.

Miles Emley, the chairman, has been commendably cautious in making acquisitions since his arrival from Rothschilds in 1993. Druck, which made £2.3m last year, looks a good start in Germany and more buys are likely to follow both there and in the US. Profits of £41.5m would put the shares on a prospective p/e of 15. Still reasonable value.

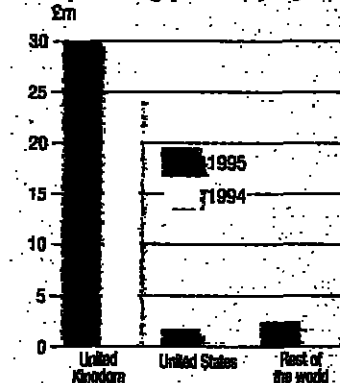
Market wary of Lloyds Chemists

Lloyds Chemists, Britain's second-biggest pharmacy chain, has a serious credibility problem. Despite profits broadly in line

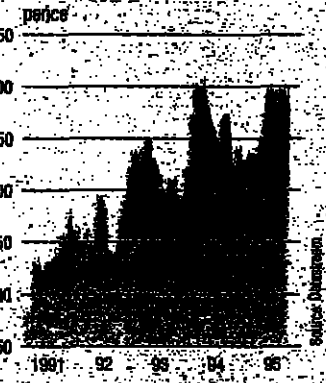
St Ives: at a glance

	1991	1992	1993	1994	1995
Five-year record					
Turnover (£m)	111.1	141.1	123.8	130.6	127.9
Pre-tax profits (£m)	20.2	21.1	22.1	22.3	35.5
Dividends per share (pence)	5.0	5.25	5.5	5.8	6.5

Operating profit (by region)



Share price



with already reined-in expectations, the shares slipped another 12p to 230p yesterday as the market focused on a downbeat assessment of current trading and slower-than-hoped-for progress on the rebranding of its troubled drug stores operation.

It is almost as if investors are looking for reasons to sell the shares, which stand 50 per cent below their level 18 months ago. Allen Lloyd, the chairman, is reported to have had enough with the Square Mile, which he believes has always undervalued the company he founded in 1973. His annoyance is understandable - after yesterday's fall the shares trade on a massive discount to the rest of the market.

That is a pretty grudging rating for a company that has just announced a 15 per cent rise in turnover to £1.08bn, the first time it has breached the billion-pound mark. Before exceptional items of £13.4m, foreshadowed six

months ago, profits rose 5 per cent to £63m, although the one-off charge and higher interest payments resulted in a fall in reported profits before tax from £58.3m to £42.2m.

The confidence of Lloyds' management was reflected in a 7 per cent rise in the dividend to 10.2p, the ninth consecutive rise. Its optimism was driven by good results from the chemist operation. Holland & Barrett, the health shops, and the pharmaceutical and veterinary arms.

But there is no getting away from the problems facing the loss-making Superdrug drug store division. A profit of £1.3m in 1994 was reversed into a loss of £3.7m, the majority of which occurred in the second half. That would not be so worrying if the plan to convert a third of the chain into Holland & Barrett stores or a new health and beauty format as part of the chemist chain was progressing at a de-

cent lick - but it is proving much slower than expected.

Trading has been clobbered by two developments. First the National Lottery has sucked £100m a week, 5 per cent of all non-food retail sales, out of consumers' pockets, hitting discretionary spending. Second, new laws on Sunday trading have boosted sales in out-of-town supermarkets at the expense of high street shops. Competition among those who remain in-town is now intense.

Despite those worries, there is plainly a valuation anomaly in Lloyds' shares, with its 920 pharmacy licences arguably worth more than the total value of the company. On the basis of forecast profits of £58.5m this year and £64m next time the shares are valued at only 7 times 1997 earnings. That is cheap, but while the market continues to have reservations about the company's management they could well remain so.

Problems mount for Thorntons

Thorntons, the chocolate maker and retailer, has ill-served investors who climbed aboard at its 1988 stock market flotation. After a series of disappointments, the shares, down 4p yesterday, have climbed to just 149p from the 125p offer price.

The latest deflation of hopes comes as a result of a botched television advertising campaign last Christmas, compounded by a hot summer and the loss of a number of concessions in two greetings card chains. The net result was a fall in profits from £12.1m to £10.5m for the year to 24 June. The only consolation for shareholders is an 8 per cent rise in last year's total dividend to 5.3p.

At least some of the confidence that represents stems from Thorntons' decision to seek a new chief executive, whose identity will be revealed once he has sorted things out with his current employer. In the meantime, the company is parting company with its UK managing director, David Mitchell.

The new person is said to have "extensive experience as managing director of retail businesses", but his room for manoeuvre will already be severely limited by the fact that a programme to re-orient the business has now swung into action. Capital expenditure is being jacked up from £7.7m to £10m in the current year, half of which relates to the retail business. A refurbishment programme will see 50 shops redone by the year end, with 15 relocated. On top of this, Thorntons plans to open another 20 or so new outlets.

The structural and management changes have cost £775,000 in the latest figures. It is not clear what the future impact will be, although there may be some offset if legal action over the loss of concessions in the Carlton Card chain, taken over by Clinton Cards, is successful.

In the meantime, assuming profits recover to at least £12m this year, the shares stand on a prospective multiple of 12. Unattractive unless the family decides to sell out to a bidder.

Simon Pincombe CITY DIARY

Left in the air by the party conference



Stretcher case: David Whelan's 1960 Cup Final mishap did not stop him going on to score a big success with the sports retailer JJB

With Tate & Lyle turning distinctly pinkish on the corporate donation front, the Tories will not be pleased to learn that Michael Heseltine has got up the nose of another businessman. The Deputy Prime Minister yesterday delayed David Whelan, chairman of the independent sports retailer JJB Sports, by one and a half hours on his way in to London.

The problem was that Mr Whelan - the former Blackburn Rovers footballer who was stretched off the field in the 1960 FA Cup final - was circling RAF Northolt in his executive jet at the time with the pilot looking nervously at the fuel gauge. Worse still, he brought glad tidings to the City in the shape of a stonking set of figures.

Air traffic control were unmoved. The Cabinet minister was flying up to the Tory party conference in Blackpool and he was clearly a priority.

Still, Mr Heseltine can console himself that his "stacking" of Mr Whelan is unlikely to result in any further hamstringing from Tory party coffers. The only donation the Wigan entrepreneur has ever announced is £40,000 to the first person living within a

13-mile radius of his home town to win Wimbledon.

Meanwhile Michael Whelan, international yachting bore and founder chairman of Aran Energy, the Irish oil exploration company under siege from both Arco of the US and Statoil of Norway, points out that the Americans have a poor track record against his fiefdom.

It turns out that Mr Whelan's son, Roger, did his work experience with Arco while studying at the Wharton Business School in Philadelphia. So impressed were the Californians with the lad that they offered him a job once he had finished his course.

Unaware of the lengths to which Arco would subsequently go to get their hands on a Whelan, the son declined, opting instead for Amoco in Chicago.

While it was undoubtedly grateful for the financial assistance at the time, Britain's oldest merchant bank is not embracing the Dutch flag with much enthusiasm. A fierce pocket of resistance has been flushed out in the corporate finance arm of the recently re-financed ING Barings.

One of the problems of selling Brazilian electricity privatisation to the City has been the high level of wastage. The system is prone to unauthorised tapping from ingenious consumers who would rather not pay for their power. It is known as the "dead cat problem", according to José Carlos Mendonça, of the Brazilian brokers Garantia (readers may find the next paragraph distressing).

It works like this. Impoverished Sao Paulo resident needs some juice to heat up the family supper. He goes out on the street, picks up a passing stray cat, and throws it on to the overhead cables. The result is a short circuit, which allows the power thief to clip on his personal jump leads before the current is restored.

Sadly, it's curtains for the cat.

They may be paid in guilders but the Euro-sceptic financiers - who are advising Lloyds Bank on its merger with TSB - flatly refuse to have anything to do with their Dutch overlord or their acronym. "Make sure that you call us Baring Brothers," warned one nationalist.

Expect Nick Leeson to be sprung from jail shortly.

Never one to give up the driving seat lightly, Sir Nicholas Goodison, art historian and chairman of TSB, will nevertheless adopt a more ceremonial role when the Lloyds Bank-TSB merger is announced today. The job of convincing the City falls mainly to the chief executive: dream team of Sir Brian Pittman and Peter Ellwood, the hard man who joined TSB from Barclaycard.

Mr Ellwood shares Sir Brian's passion for cost-cutting, giving some credence to union warnings of huge job losses. Analysts still quiver with excitement when they recall a visit to a Barclaycard centre where Mr Ellwood unveiled his vision of a high-tech, low-wage factory.

Profile points all round for the staff it may be. But Sir Nicholas is unlikely to be robbed of TSB's impressive collection of modern art. "It will probably stay where it is," a spokesman reassures.

The dinosaurs of the Eighties, who could rack up a £600 lunch bill at the Savoy during three hours of gluttony, are all but extinct. The typical business lunch now takes just one and three-quarter hours and costs £35 a head, according to a survey for Air Miles.

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Sinking Trafalgar jettisons family jewels

Selling the Ritz is a low-water mark for a once-great firm, writes Tom Stevenson

There can be no better symbol of the depths to which Trafalgar House has fallen than the sale of the Ritz last week. Once one of Britain's leading conglomerates, only the direst of financial straits could have forced the disposal of such a uniquely prestigious trophy asset. Trais is seriously on its uppers.

The disposal, to the secretive Barclay brothers, who also own the Howard Hotel, the European newspaper, and a string of other high-profile investments, was hardly the anniversary present Nigel Rich would have chosen a year after he took up the chief executive's position at Trafalgar, even if the price he achieved was by any measure a full one.

It has been a stormy 12 months since he was installed by his former bosses, the Keswick brothers of Hong Kong's Jardine Matheson trading empire, which, through its Hong Kong Land subsidiary, owns a quarter of Trafalgar's shares.

During that time, Trafalgar has had to negotiate the PR gaffe of the century, when its Cunard subsidiary foolishly sent its flagship cruiser, the QE2, on a voyage to the Caribbean only half fitted out.

It has seen its bid for Northern Electric kicked into touch by the electricity regulator, Professor Stephen Littlechild, and lost almost two-thirds of its value on the stock market.

At 29.5p, the shares are just 2p above their lowest level since 1974, which was reached last week. The epitome of the 1980s boom share, they rose almost sevenfold during that

decade under the flamboyant guidance of Sir Nigel Brookes. In the space of five years they have lost it all again and then a bit more.

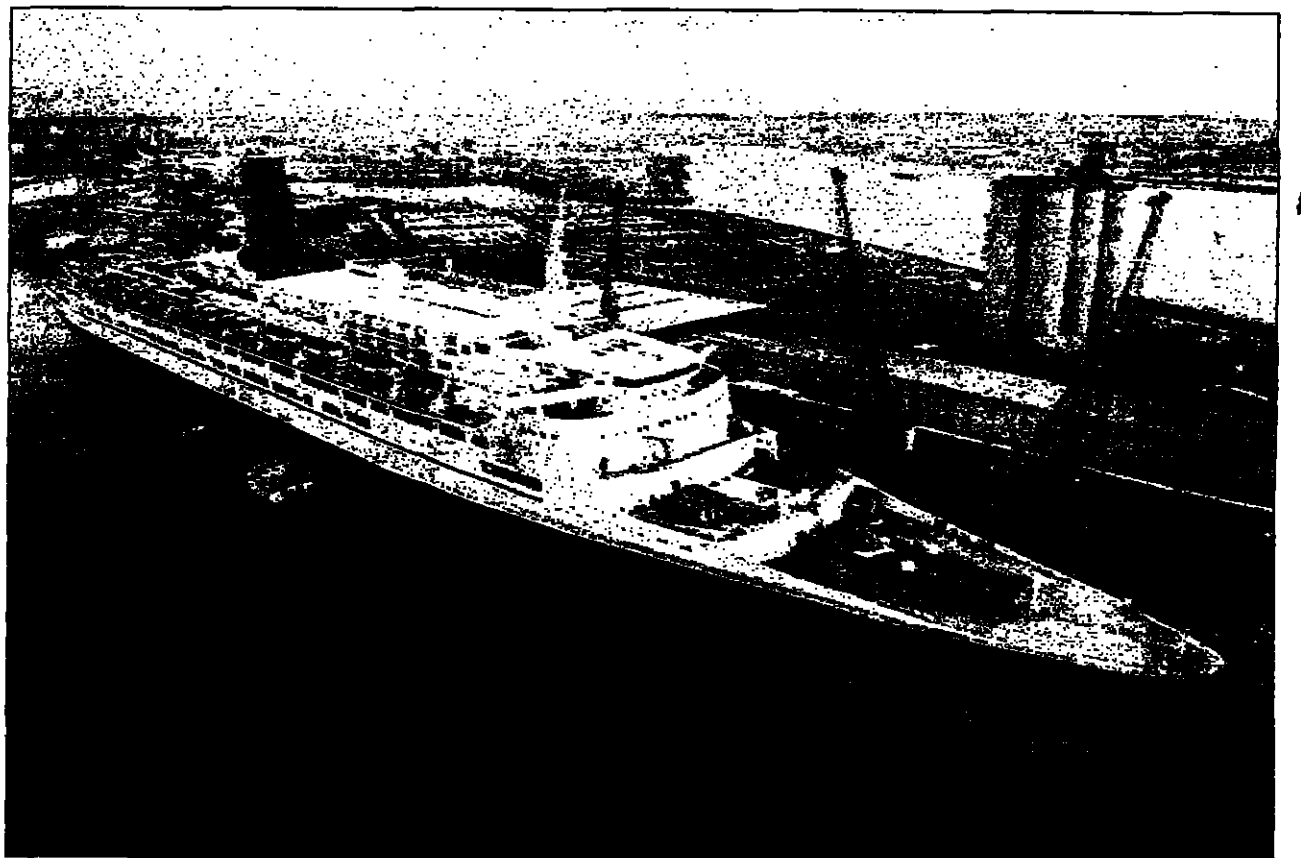
Trafalgar is now valued at only a little over £300m. That is about the same as Hazlewood Foods, half as much as MFI, a fifth the market value of Next. Any further fall and Trafalgar will drop out of the FT-SE Mid 250 index and into the SmallCap segment of the market.

What has gone wrong is easier to describe than to put right. Rapid expansion in the good years has left the company with a hotch-potch of assets in a range of industries whose only shared feature is lack of prospects - heavy-power engineering, construction, house-building and property.

Internal controls have been, by the frank admission of Mr Rich, totally inadequate for a company of Trafalgar's size and complexity. Trading is poor and cash flow worse.

Following the disposal of the Ritz hotel, attention now turns to what else Trafalgar can sell to reduce its debts of about £250m. Although those debts are not massive in the context of its net assets, which stood at £641m in March, there are serious doubts about the valuation of many of Trafalgar's assets in its balance sheet.

Serious write-downs of value when figures for the year to September are announced just before Christmas could wipe out much of the notional worth that underpins those borrowings, making gearing more of a worry than it appears now.



Christmas turkey: The QE2's voyage to the Caribbean when only half-refurbished was the 'gaffe of the century'

Speculation surrounds the fate of the Cunard line, which is underperforming its peers dramatically.

In the first six months of last year, when Trafalgar declared an unexpectedly large £48m loss, shipping chipped in £7m of red ink even before exceptional charges to do with the QE2's Christmas fiasco.

Comments from Mr Rich over the summer that it could be several years before the line produces a decent return suggest that a large write-off of its book value is likely in Decem-

ber. If Trafalgar still needs to raise money by disposing of assets it is, like the Ritz, an obvious "name" to put on the market.

The next two months will be crucial ones - for Trafalgar, for the reputation of Nigel Rich and for the Keswicks, who have made no secret of the fact that the company represented a European base for their empire following the takeover of Hong Kong by the Chinese in 1997.

Three years after they first boarded Trafalgar, they have poured more into the compa-

ny in exchange for a 26 per cent holding than the whole company is now worth. As much as the financial loss, the investment represents a huge loss of face.

Talk to analysts about Trafalgar and the frustration is tangible. The company has always been short on information, a fault it is trying to rectify, but forecasting its profits is no easier now than before because so much hinges on the scale of the write-offs to come.

To make matters worse, with sales of almost £4bn, the slightest movement in operating mar-

gin can generate a huge swing in profit (or loss). The City will be looking for an uncharacteristic openness about prospects and strategy when it next meets the company. The latest edition of the Earnings Guide shows a wide range of forecasts for the year just finished stretching from a profit of £40m to a loss of £75m.

When things are going as badly as they are at Trafalgar House it is amazing how easily you can chuck away the value of one of the world's great hotels.

market report/shares

DATA BANK

FT-SE 100
3,460.1 -50.2

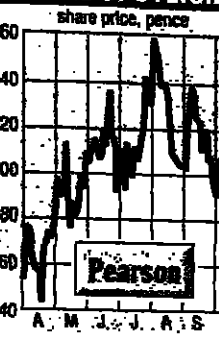
FT-SE 250
3,903.2 -49.9

FT-SE 350
1,730.1 -24.4

SEAQ VOLUME
828.2m shares,
33,746 bargains

Gilts Index
92.78 -0.16

SHARE SPOTLIGHT



Takeover talk drives Pearson against the selling tide

TAKING STOCK

Shares in Pearson stood out from the madding crowd yesterday, rising 5p to 602p on a strengthening belief that the diverse media group is vulnerable to a takeover bid. Some analysts reckon the sum of the parts is worth considerably more than the £3.34bn value placed on it by the stock market.

Louise Barton, analyst at Henderson Crosthwaite, reckons that Pearson would be attractive to a predator right up to 900p a share, based on calculations on the value of media deals made over the last year.

There are concerns among other analysts, however, that Pearson's stock market rating is too high and the shares are set for a tumble if a bid fails to materialise.

A recent strategic assessment by analysts at NatWest Securities said: "There is no doubting the group's consid-

erable potential, but the high level of expectation implicit in Pearson's rating does not leave any room for disappointment."

Pearson was one of only nine leading shares not to be caught up in yesterday's lemming-like rush for the door by market-makers, which resulted in more than 50 points being wiped off the FT-SE 100 share index.

Keeping Pearson company was BAT Industries, the tobacco and financial services giant. The shares, which were down in mid-afternoon dealings, closed 1p firmer at 533p on vague talk of a break-up bid being made by Kohlberg Kravis Roberts, the US leveraged buyout specialist.

The rumour probably has no foundation in fact, but dealers have long memories and have not forgotten the audacious £1.5bn move, spearheaded by Sir James Goldsmith, for the company back in 1989.

Two of the other leaders to



MARKET REPORT

JOHN SHEPHERD

make headway against the outgoing tide were Standard Chartered Bank, ahead 20p, and Royal Bank of Scotland, up 9p to 493p.

Both rises were fuelled by the excitement over the planned merger between Lloyds Bank, down 6p to 720p, and TSB, off 3p to 350p. Full details of the £15bn tie-up are expected to be announced today.

For the rest of the market the session was disastrous. Pinpointing the exact reason for the calamity, however, was as difficult as finding the proverbial needle in a haystack. One thing led to another in morning dealings, and by the

time Wall Street opened shares were in free-fall, with the FT-SE 100 index sporting a hefty 68-point fall. London then rode tandem with Wall Street and clawed back more than a quarter of the losses as stock prices on the other side of the Atlantic started to rally.

The principal reason for the continuing fall in the US prices is concern about the quality of third-quarter corporate earnings, particularly among the technology companies. Noise from the poor figures from Motorola was detectable on the telecommunications pitch where Vodafone fell 6.5p to 249p, and Securicor, 40 per cent shareholder in Celnet,

dropped 45p to £10.55p. Political uncertainty also had an impact on the London market. The main concern is that the Government will collapse and a general election will happen a year earlier than expected.

There were also jitters about the next batch of inflation figures, which will be released tomorrow, the same day that Kenneth Clarke, the Chancellor, addresses the Tory Party faithful in Blackpool.

However, the evidence for the prosecution against the market-makers was overwhelming. Only 465 million shares had been traded when the FT-SE was 68 points down, and a total of 828.5 million

weight corporate results did not help matters. Normal service on bids is set to be resumed soon, with North West Water, down 6p to 595p, said to be primed to increase its £1.8bn for Norweth, off 7p to £10.86.

Glaxo Wellcome lost 16p to 758p, a fall that could mostly be attributed to worries of a competitive threat to its Imigran migraine drug from a cheaper alternative marketed by Synthelabo, part of O'Neal.

Retailers were rattled by Safeway's relaunch of its loyalty card, a move which analysts believe will almost certainly lead to a tougher fight for market share among the supermarket groups.

Argyll, owner of Safeway, lost 4.5p to 335p, Sainsbury lost 4.5p to 430p, and Tesco shed 4p to 310.5p.

Among the few to finish the day on a higher note was St Ives, up 9p to 414p on the back of a 60 per cent profits advance.

One of the session's best performers was Quality Software, which climbed 79p to an all-time high of 785p on a 33 per cent profit improvement and a £7.2m acquisition of Global Software in the US. The purchase is being funded through a seven-for-20 rights issue at 535p per share.

SHARE PRICE DATA

Prices are in sterling except where stated. The yield is last year's dividend, grossed up by 20 per cent, as a percentage of the share price. The price/earnings (P/E) ratio is the share price divided by last year's earnings per share, excluding exceptional items.

Other details: Ex Rights = Ex-dividend = Unlisted Securities Market = Suspended = Fully Paid = Nil Paid Shares.

THE INDEPENDENT INDEX

The index allows you to access real-time share prices by phone from Sony. Simply dial 0891 123 333, followed by the 4-digit code printed next to each share. To access the latest financial reports dial 0891 123 333 followed by one of the two-digit codes below.

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UK Stock Market Report 01 Bullion Report 05 Water Shares 39
UK Company News 02 Wall St Report 20 Electricity Shares 40
Foreign Exchange 03 Tokyo Market 21 High Street Banks 41

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For assistance, call our helpline 071 573 678 (3 lines - 9.30am - 5.30pm).

Call cost 30p per minute (cheap rates), and 40p at all other times. Call charges include VAT.

MARKET LEADERS: TOP 20 VOLUMES

Stock	Volume	Value	Stock	Volume	Value
Platts	30,000	£11,000	Metals & Spicers	8,100	£1,100
Waters	20,000	£7,000	Lyons Bank	7,000	£1,000
ASDA Group	10,000	£7,000	BA	7,000	£1,000
TSB	10,000	£7,000	General Elect.	7,000	£1,000
British Gas	10,000	£7,000	Diageo	7,000	£1,000

FT-SE 100 INDEX HOUR BY HOUR

Open	3502.8 down 7.5	11.00	3498.7 down 10.8	14.00	3453.0 down 57.3
08.00	3504.0 down 6.3	12.00	3492.1 down 17.2	15.00	3445.2 down 65.1
10.00	3505.7 down 4.6	13.00	3476.3 down 34.0	16.00	3451.7 down 58.6
				Close	3480.1 down 50.2

BANKS, MERCHANT

Barclays Bank	480.00	Barclays Bank	480.00
HSBC Bank	480.00	HSBC Bank	480.00
London & Lancashire	480.00	London & Lancashire	480.00
Midland Bank	480.00	Midland Bank	480.00
NatWest Bank	480.00	NatWest Bank	480.00
Paragon Bank	480.00	Paragon Bank	480.00
Royal Bank of Scotland	493.00	Royal Bank of Scotland	493.00
Standard Chartered Bank	720.00	Standard Chartered Bank	720.00
TSB Bank	350.00	TSB Bank	350.00
Windsor Bank	480.00	Windsor Bank	480.00

BANKS, RETAIL

Barclays Bank	480.00	Barclays Bank	480.00
HSBC Bank	480.00	HSBC Bank	480.00
London & Lancashire	480.00	London & Lancashire	480.00
Midland Bank	480.00	Midland Bank	480.00
NatWest Bank	480.00	NatWest Bank	480.00
Paragon Bank	480.00	Paragon Bank	480.00
Royal Bank of Scotland	493.00	Royal Bank of Scotland	493.00
Standard Chartered Bank	720.00	Standard Chartered Bank	720.00
TSB Bank	350.00	TSB Bank	350.00
Windsor Bank	480.00	Windsor Bank	480.00

DIVERSIFIED INDUSTRIES

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

BREWERIES

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

ELECTRICITY

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

BUILDING/CONSTRUCTION

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

ELECTRONICS

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

FOOD MANUFACTURERS

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

GAS DISTRIBUTION

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

HEALTH CARE

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

HOUSEHOLD GOODS

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

INSURANCE

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

INTERNATIONALS

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

DISTRIBUTORS

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

CHEMICALS

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

GOVERNMENT SECURITIES

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00
British Telecom	480.00	British Telecom	480.00
British Virgin Islands	480.00	British Virgin Islands	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00
British World	480.00	British World	480.00

RECENT ISSUES

Admiral	480.00	Admiral	480.00
Anglo American	480.00	Anglo American	480.00
British Airways	480.00	British Airways	480.00
British Petroleum	480.00	British Petroleum	480.00

DOCA

[illegible]

STERLING	DOLLAR		POUNDS	
Country	Spot	1 month	3 months	1 month
US	1.5777	14-12	15-12	14-10
Canada	2.1107	12-12	13-12	12-10
France	2.9378	69-88	69-88	69-88
Germany	3.8094	68-165	68-165	68-165
Italy	257.18	100.53	100.53	100.53
Japan	331.38	100.53	100.53	100.53
ECU	1.2200	101-26	101-26	101-26
Belgium	3.6568	101-26	101-26	101-26
Netherlands	8.9850	101-26	101-26	101-26
Switzerland	2.6568	101-26	101-26	101-26
Spain	165.157	101-26	101-26	101-26
Hongary	8.6770	101-26	101-26	101-26
Portugal	103.77	101-26	101-26	101-26
Greece	11.8964	101-26	101-26	101-26
United Kingdom	1.8003	101-26	101-26	101-26

[illegible]

A type		B type	
Australia (Dollars)	2.0200	France (Francs)	7.6300
Austria (Schillings)	13.7600	Germany (Marks)	2.1800
Belgium (Francs)	45.4500	Greece (Drachmas)	361.0000
Canada (Dollars)	2.0000	Hong Kong (Dollars)	12.0000
Canada (Pence)	0.7050	India (Rupees)	0.0800
Denmark (Kroner)	6.8500	Italy (Lira)	2520.0000
Holland (Gulden)	2.4500	Japan (Yen)	197.5000
Finland (Markka)	6.7200	Middle East	0.6450
		New Zealand (Dollars)	2.9400
		Norway (Kroner)	8.7000
		Spain (Escudos)	166.0000
		Sri Lanka (Rupees)	280.0000
		Sweden (Kronor)	10.9200
		Switzerland (Francs)	7.7550
		Turkey (Lira)	2514.0000
		United States (Dollars)	1.5475

Base	6.75%	Discount	3.50%	Prime	8.75%	Discount	0.50%
France		Lombard	5.50%	Discount	5.25%	Belgium	
Intervention	5.00%	Canada		Fed Funds	5.75%	Switzerland	3.50%
Italy		Prime	8.00%	Notes		Central	4.05%
Discount	9.00%	Discount	6.50%	10-Day Repo	9.25%	Switzerland	
Netherlands		Danmark		Sweden		Lombard	2.00%
Advances	3.80%	Discount	5.00%	Repo (Ave)	8.91%	Lombard	4.125%

US	0.7%	3.6%	0.7%	0.7%	Japan	10.2%	11.6%	10.2%	11.9%
UK	6.4%	1.54	4.6%	2.71	Italy	10.2%	6.12	6.2%	7.14
Australia	7%	7.96	7.7%	8.53	Belgium	10%	9.14	6%	9.47
Germany	6.9%	5.39	6.6%	6.57	Sweden	9.2%	7.10	7.7%	8.73
France	7.7%	6.95	7.7%	7.57	ECU OAT				

Source: HSBC Markets Research

Yields calculated on Local basis. **Noted new attachment

	\$	%	%	%	%	%	%	%	%
Interbank Swap Cds	-	-	-	6.7%	6.8%	6.9%	6.9%	6.9%	6.9%
Local Authority Depos	-	-	-	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Mortgage Interest Depos	-	-	-	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Treasury Bills (Buy)	6.2%	-	-	-	-	-	-	-	-
Dollar Cdn	-	-	-	5.81	5.80	5.80	5.80	5.85	-
ECU Linked Dep	-	-	-	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%

[illegible]

November	102 / 45	87 / 87	45 / 90	25 / 131	--
December	121 / 68	92 / 51	72 / 115	47 / 148	--
January	179 / 82	- / -	98 / 133	- / -	--

COMMODITIES

[illegible][illegible][illegible]

buy
off

هكذا من الاجل

Murphy in tale of rediscovery

RICHARD EDMONDSON reports from Chepstow

Declan Murphy added a chapter to a story that will soon be retold at children's bedside here yesterday. The Irish jockey, who was close to death after a fall at Haydock 18 months ago, showed his rehabilitation is complete by winning on his comeback ride. The kids will not believe it.

Hospitals have provided Murphy with the defining moments of his life. He was brought into the world in the Co Limerick village of that name in 1967 and almost left it in Liverpool's Walton Hospital last May. His injuries following a fall from Arcot - multiple fractures to his skull and a blood clot on his brain - were so severe that at one stage he was considered to be just four minutes from death. He remembers nothing of the accident and the friends and family who saw him in hospital have never seen the pictures that captured his condition.

There was no sign of all this on the face of the 29-year-old jockey. Murphy's memory may be impaired in several areas, but the calmness that has characterised much of his riding is still with him. After studying the card for the Flat versus Jump Jockeys Challenge in which he was a participant, he fell asleep in the Mercedes that was transporting him the 200 miles from

his Newmarket home to the Welsh track.

When he emerged for combat fitted with the new helmet he has helped to develop, Murphy appeared serene. It was not a false image. "He showed no nerves and I didn't give him any instructions," Geoff Lewis, who legged the jockey into Jibreen's saddle, said. "You don't give good jockeys instructions."

If others were fearful of Murphy's health, they did not let it influence their betting, and Jibreen started as 7-2 favourite.

Fear of defeat was all but extinguished in a matter of strides.

RICHARD EDMONDSON
NAP: Sue Me
(Haydock 3.00)
NB: Ed's Folly
(Haydock 2.00)

Murphy checked over his right shoulder before manoeuvring into first place on the rails. It was a position he was never to relinquish. It may not have been the most competitive of races but there may have been few jockeys eager to spoil the story, but that should not diminish the achievement.

The Irishman has never let the thought that his powers may have been snuffed out enter his mind, but even he was surprised by the manner in which he immediately coped with the rigours of racing riding.

"I found the horse's cruising speed within 10 strides," he re-

ported. "By the time I got to the half-mile pole I felt complete as a jockey. I did it instinctively and I didn't have to work at it."

"I have achieved some victories in my life but nothing as great as this. What has felt like a dream for so long has just become a reality."

Before competition, Murphy had threatened that this could be both his first ride back and the last of his career. He has been offered a job which would take him out of the country for three or four months, a year but one over which he was sworn to secrecy (the profile of a post with MIO).

Such was the exhilaration he felt here that considerations of an alternative career were soon abandoned. "I could not get off horses after that," he said. "No matter what was offered me on this planet I would not give up. The reality is that I may be able to do this for another seven or eight years."

There were passages where Murphy was lost for words yesterday, which added to the singularity of the afternoon. He refused to ponder the future too closely although he is expected to make his return to fences at Kempton on Saturday. "I don't see that as a problem because today was more difficult than any jump race I have ever ridden in," he said. "I don't want to look too far because I don't want to get off the cloud I am on right now. This has been the greatest day of my life."

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Declan Murphy returns in triumph on Jibreen at Chepstow yesterday

Photograph: Robert Hallam

Whip is dropped

Racing's new latex whip, designed to be kinder to horses, faces an uncertain future after it broke in half and marked a horse at Chepstow yesterday. Jockeys were adamant that they would carry on no further trials with the instrument after it failed on its first examination in a Flat race. Graham Bradley was asked to try the whip on Great Hall, who finished eighth, and gave it short shrift. "I hit the horse four times and it broke on the third blow and, as you know, I only flick them," he said.

Bailey may turn to Dunwoody

Richard Dunwoody is the man likely to step in at Kim Bailey's stable for Norman Williamson, who will be out of action for up to six months because of a broken femur sustained on Monday.

Dunwoody, the champion jump jockey for the last three seasons, was a 33-1 shot for this season's title after breaking up with Martin Pipe. Now he has been out to 14-1 with William Hill, having been booked to ride for Bailey - the trainer of the Cheltenham Gold Cup winner Master Oats and Champion

Hurdler Alderbrook - at the end of the week. Dunwoody's agent, Robert Parsons, said: "We will know more after Richard sees Kim Bailey tonight."

Jockeys' Championship: William Hill 6-2 David Brindley, 15-8 Adrian Maguire, 20-1 Tony McCoy, 24-1 Richard Dunwoody.

HAYDOCK	
2.00 Wild Humour	4.00 Alessandra
2.30 Inchroy	3.00 Rosy Hue
3.00 Brockton Flame	5.00 ROUSSE (nap)
3.30 Nash Terrace	5.30 Dombey

GOING: Good to Soft. (Good in places). STALLS: 71. 1m - Inside, remainder - outside. DRAW ADVANTAGE: High for 5f to 6f; Low from 7f to 1m 40f.

1m 40f - 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 32nd, 33rd, 34th, 35th, 36th, 37th, 38th, 39th, 40th, 41st, 42nd, 43rd, 44th, 45th, 46th, 47th, 48th, 49th, 50th, 51st, 52nd, 53rd, 54th, 55th, 56th, 57th, 58th, 59th, 60th, 61st, 62nd, 63rd, 64th, 65th, 66th, 67th, 68th, 69th, 70th, 71st, 72nd, 73rd, 74th, 75th, 76th, 77th, 78th, 79th, 80th, 81st, 82nd, 83rd, 84th, 85th, 86th, 87th, 88th, 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th, 97th, 98th, 99th, 100th, 101st, 102nd, 103rd, 104th, 105th, 106th, 107th, 108th, 109th, 110th, 111th, 112th, 113th, 114th, 115th, 116th, 117th, 118th, 119th, 120th, 121st, 122nd, 123rd, 124th, 125th, 126th, 127th, 128th, 129th, 130th, 131st, 132nd, 133rd, 134th, 135th, 136th, 137th, 138th, 139th, 140th, 141st, 142nd, 143rd, 144th, 145th, 146th, 147th, 148th, 149th, 150th, 151st, 152nd, 153rd, 154th, 155th, 156th, 157th, 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UNDER-23 INTERNATIONAL FRIENDS

Norway (1)	England (10)
Slovenia 41	Campbell 62, 2,640
Bath 77	
Leasing stadium, Spandauer Mörner's Stefan Pedersen sent off, 47'	

UNDER-23 CHAMPIONSHIPS

Sweden (1) vs. Finland (8) (Goalkeepers) Omaro F Omerie C; Olsson S; Persson S; Ponné L J; Rönne H; Larsson L; Lundberg A; Gunnarsson E (Italy); Sjögren B; Svendsen T.
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JUNIOR ISLANDERS' FIRST DIVISION:
Vestfjord 3 Årnesel 4.

The profit in US dollars (£1.2m) that Sweden had expected to make from this summer's World Athletics Championships in Gothenburg. Instead, they were a financial flop which yesterday led to the resignation of Britt Gunnar, the Swedish federation chairman.

Speedway
ACADEMY LEAGUE GRAND PRIX Seventh and final round: (Preston): Barnack 24 Buxton 22; Devon A 21 Devon B 19; Stoke 18 Snettisham 7; Linsington 5 Mildenhall 1. P-



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